

POWERCLUB

A MERALCO PUBLICATION | APRIL 2016

Voting for POWER

CEOs raise their expectations
of the next administration

Presidential candidates
and their economic
programs

The energy
industry's wish list
for the next
Philippine President

BSP Gov. Tetangco's
explosive hobby

The 2016
power outlook





THE POWER OF GROWTH

A key litmus test for any national leader is the state of the economy. By that yardstick, the current administration deserves much praise for the Philippines’s steady growth. Business confidence has returned, and we have become Asia’s new investment darling. The private sector has been incentivized to engage with the government in much-needed development projects. Increased investments mean more factories, more business activity, and more consumption from a more prosperous population. This places greater demands on the power industry, which puts the country in a precarious situation. Whenever demand exceeds supply, the price of energy goes up and the threat of rolling brownouts returns. Either crisis could seriously reverse the gains for which we’ve worked hard. Sustaining positive change then, is a key issue in the coming election. The entire energy sector is working hard to ensure the election process is undisrupted by power interruptions. We at Meralco are reviewing polling centers in our franchise areas and performing field checks on our assets. We are also advising schools designated as polling precincts to properly manage their load-side setup and avoid power outages. I hope the next President will prioritize power-industry issues, which are crucial to the nation’s economic success. We need to encourage increased investments in capital-intensive power plants, balancing the availability of affordable power with sustainable and environment-friendly options. Provincial electric cooperatives must also be incentivized to promote consistent, reliable power, with penalties to eliminate inefficient practices. This will attract businesses to the provinces and make growth more inclusive. Although many serious issues still need to be resolved, we are headed in the right direction. We have good foundations to build a stronger, safer country. We need only choose a President with the strength, honesty, and wisdom to fulfill our hopes.

Alfredo S. Panlilio
Senior Vice President and Head of Customer Retail Services and Corporate Communications

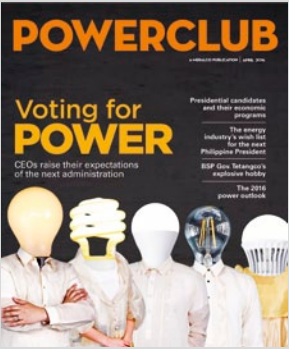
WHO SHOULD WIN?

This issue of the Power Club magazine is devoted to a subject we can hardly ignore: the 2016 Presidential elections. We begin by looking at the energy policies the next administration must address to improve the power industry through programs that ensure adequate, reliable, and affordable energy. Policies by previous administrations have helped our energy sector become more competitive and responsive. Together with industry stakeholders, we hope to have an energy roadmap that provides for our energy security under a fair and competitive market-driven environment. On the topic of fairness, we take a look at the Philippine Competition Act, passed in July 2015 to ensure fair play in the market and help eliminate corrupt practices. Yet despite its passage, questions remain about the commitment to enforcing the new law, leaving the issue to the succeeding administration. This brings us to the burning question, “Who should be the next President?” Chief executives and leaders of top corporations and business associations have weighed in, sharing opinions and insights on the economic issues that need to be tackled, and the qualities they look for in the next President. The Presidential candidates themselves have shared with us their economic platforms, to better arm us in making the right choice. At this point, we can only speculate on who will win the Presidency. Ultimately, however, our choice should be driven by who we think can lead us towards a more progressive Philippines.

Victor S. Genuino
Vice President and Head, Corporate Business Group



Photography by Jun Pinzon Grooming by Arlene Adto



MERALCO POWER CLUB MAGAZINE
VOLUME 6 ISSUE 1
PUBLISHER: SUMMIT MEDIA

A joint project with Meralco’s Corporate Business Group and Marketing and Customer Solutions and Innovations. Published four times a year for key officers of Meralco corporate accounts

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Cover photo by Jun Pinzon

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Fair Play for Businesses, Big and Small

By Tina Arceo-Dumlao

The Philippine Competition Act is now a law, but not yet a working reality.

We learn the concept of fairness at the playground, where games have rules, swings and seesaws must be shared, and everyone must play nice.

Boardrooms can be more cutthroat. Innovate or die. Expand or become extinct. Crush the competition. In the business world, corporate executives and entrepreneurs earn status from raking in as much profit as possible.

It's one thing to earn a decent profit from perseverance and a superior product, and quite another to derive an income by exploiting an edge in an uneven playing field.

Sole control

To control supplies of produce, pocket cartels dictate terms and force farmers to underprice entire crops. These farmers often depend on cartels for loans, fertilizer, even seeds.

At the opposite end of the scale are monopolies with no competitors. During Martial Law, declared in 1972 and lifted in 1981, monopolies such as

the Philippine Long Distance Telephone Co. (PLDT) and Philippine Airlines (PAL) flourished. Monopolies dictate prices to consumers, even suppliers, regardless of product or service quality. The Manila Electric Co. (Meralco) was a power monopoly before 1972, having consolidated power generation, transmission and distribution, but was broken up during Martial Law and relegated to a power distributor.

Today's markets are kept open to new players. PLDT competes for landline customers and mobile and internet subscribers. PAL offers drastically reduced fares to coexist with other local and international carriers. Meralco is looking to compete in power generation to offer customers more supply and better prices.

Free-market competition forces industry players to shape up, hunker down and provide customers the best possible quality and prices. To ensure the playing field stays level, President Benigno S. Aquino III signed into law Republic Act 10667 on July 21, 2015.

Better late than never

The Philippine Competition Act, RA 10667, seeks to prevent the kind of

concentrated economic power that can lead to unfair business practices. As with well-entrenched regulations elsewhere, the law prohibits anti-competitive agreements, mergers and acquisitions, and the abuse of dominant position.

The bill that shaped the law languished for three decades in both chambers of Congress. Adrian S. Cristobal Jr., secretary-designate of the Department of Trade and Industry (DTI), ascribes the delay to opposition from vested interests.

Post-war Japan passed its Original Antimonopoly Law in 1947, and the United Kingdom enacted its Monopolies and Restrictive Practices Act in 1948. Indonesia and Thailand followed suit in 1999, Singapore in 2004, Vietnam in 2005, and Malaysia in 2012.

The first Philippine competition policy was filed in the 8th Congress (1987 to 1992), recalls Sen. Paolo Benigno "Bam" Aquino IV. As chairman of the Senate Committee on Trade, Commerce and Entrepreneurship, he oversaw 30 gruelling hours of bicameral conference hearings in 2015, to reconcile Lower

House and Senate versions of the Fair Competition bill. The 16th Congress passed the final version into law.

An economic game changer

RA 10667 promises seismic changes in the corporate landscape, Cristobal avers. Its implementation "will impact major industries and many sectors of the economy," he stresses, as "small and medium-size enterprises compete with one another and with large companies."

Businesses must become more efficient and competitive, to "unleash the full economic potential of our people to sustain economic growth."

The Philippine Competition Act aims to eliminate predatory pricing, or the sale of goods and services intentionally below cost to undermine competitors unable to give deep discounts for extended periods. It will also prevent companies from denying entry to new market players.

Sen. Aquino insists a greater free market means "the quality of products and services increases and prices of goods would then go down, to let consumers exercise their right of choice."

A key provision is the establishment of an independent Philippine Competition Commission (PCC), the lead agency in the law's enforcement and implementation. To handle cases on alleged anti-competitive behavior, the law describes the PCC's function as "[preventing] economic concentration that will control the production, distribution, trade or industry that will unduly stifle competition, lessen,

manipulate or constrict the discipline of free markets."

Giving farmers a fair deal

The PCC chairperson and four commissioners will have fixed terms, and compensation that is exempt from the salary standardization law. The

matters relating to fair competition.

The Department of Justice-Office for Competition will conduct preliminary investigations and prosecute criminal offenses. It will mete out fines of up to P250 million for anti-competitive agreements and abuse of dominant position. For anti-

competitive agreements made between and among competitors, violators face fines of up to P250 million, and imprisonment of up to seven years.

The ultimate goal is to eliminate cartels and their control of prices and supply. RA 10667 must rehabilitate an agriculture sector long plagued with practices that bring in high market prices for goods but a meager income for farmers. In rice-producing Central Luzon, one can seek legal redress for behavior that compels farmers to sell to a single buyer, or to sell out for lower prices.

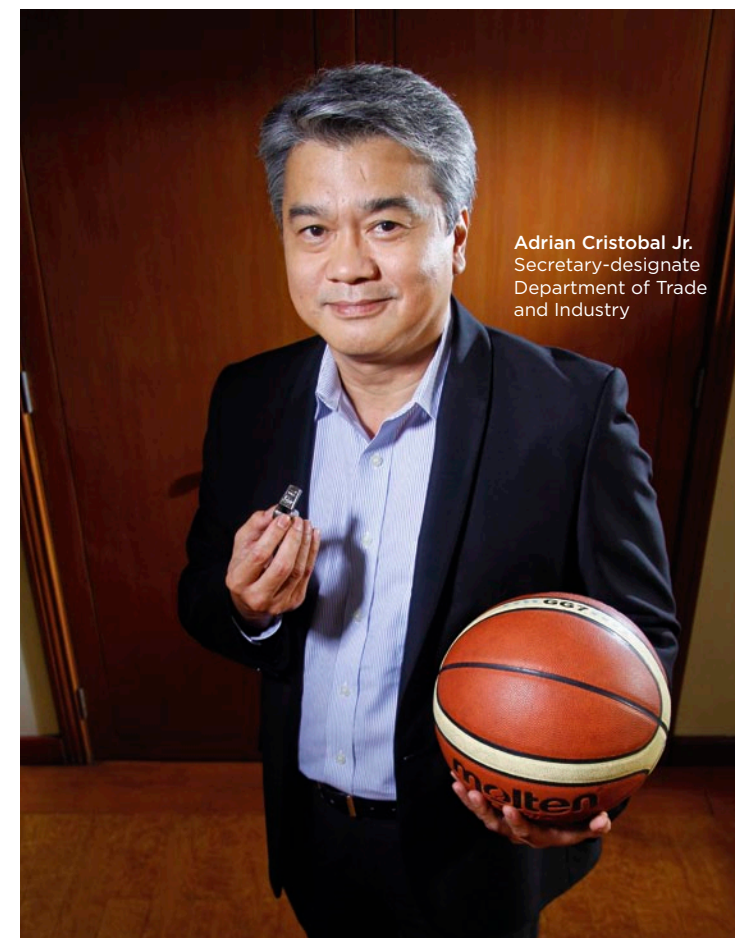
The law also seeks to halt price fixing among competitors, such as if two or three colluding sugar millers in a Negros Occidental town set a single purchase price to buy sugarcane cheaply from planters.

Not anti-monopoly

Based on other countries' experiences, Sen. Aquino foresees difficulties in prosecuting cartels and other

practitioners of anti-competitive behavior, since they resort to deceptively innocuous and generally unremarkable methods.

As a global best practice, the law calls for the development of a Leniency Program that is effective in the United Kingdom and the United States. For voluntary disclosure of information



Adrian Cristobal Jr.
Secretary-designate
Department of Trade
and Industry

'RA 10667 will impact major industries and many sectors of the economy.'

commission will conduct administrative proceedings, impose sanctions, fines or penalties, punish for contempt, summon witnesses and issue cease-and-desist orders. It will prescribe structural remedies such as corporate reorganization or divestment. The PCC can also conduct, publish, and disseminate studies and reports on

that aids in the prosecution of cases, an entity can earn immunity from suit or a reduction in fines.

A greater test of this law will be its impact on the operations and economic influence of the Philippines's largest corporations. Many are controlled by a handful of well-entrenched business families.

The law does not expressly prohibit monopolies. A business can retain its dominance for its "excellent, efficient customer service, innovative goods, and competitive business practices," underscores Sen. Aquino. "This law only looks at the behavior of market players that unduly prevent, restrict and reduce competition."

Size is not the issue, since industries such as electric utilities, telecommunications, and banking and finance require economies of scale. Anti-competitive practice, not market dominance, must be monitored.

If large, domestic universal banks merge, this is not an anti-competitive act per se; the banks may plan to strengthen their market base due to competition from local and larger banks within the Association of Southeast Asian Nations (Asean) region.

On paper, foreign banks may operate in the Philippines with the

'Fair and healthy competition will ensure that the benefits of economic growth are properly shared.'

integration of the Asean into one economic community and the creation of a single market in the region.

In a 2015 speech before the Shareholders Association of the Philippines, BDO chair Teresita Sy-Coson welcomed the goals behind RA 10667 but hoped it wouldn't downsize Philippine companies that "need to scale [up] to compete in the international arena."

The total assets of BDO amount to US\$41 billion (P1.93 trillion), dwarfed by those of Asean banks such as the DBS Group of Singapore (with US\$332 billion, or P15.6 trillion) or Maybank of Malaysia (with US\$150 billion, or P7.05 trillion).

The challenge of enforcement

Seven months after RA 10667 was passed, the government named Arsenio Balisacan, a respected development economist, to head the newly formed PCC. Balisacan subsequently resigned as Socioeconomic Planning Secretary and National Economic and Development Authority director-general, effective Jan. 31, 2016.

He sees becoming the first PCC chairperson as "a very compelling challenge," and aims to further assist



Arsenio Balisacan
Chairman
Philippine Competition
Commission

the Philippines in achieving its full growth potential. "Fair and healthy competition," vows Balisacan, "will ensure that the benefits of economic growth are properly shared."

Meanwhile, Cristobal is impatient for the commission to draw up RA 10667's implementing rules and regulations. He believes a matter as serious as a competition policy must be tested on those sectors of Filipino society that will feel its daily and direct impact. "Key sectors that have a powerful impact on our people's lives are the pharmaceutical industry, telecommunications industry, and the food sector. Perhaps the commission should take a close look at them."

He wants the commission to begin doing its vital work before the Aquino administration ends in 2016. This cannot happen soon enough for consumers weary with high prices, and for new entrepreneurs choking from the stranglehold of cartels. It's high time for fair play. 📈

'This law only looks at the behavior of market players that unduly prevent, restrict and reduce competition.'



Sen. Bam Aquino

The Power Outlook for 2016

By MC Santos

Is there enough energy to keep businesses humming throughout the year?

Last October 20, 2015, the Department of Energy (DOE) presented its draft "Power Development Plan (2015-2030)" during a focus group discussion, which projected peak electricity demand for 2016 between 9,300 and 9,400 megawatts (MW), as against total dependable capacity of 11,780 MW, notwithstanding the El Niño weather phenomenon.

But in an election year, and with economic activity still on the upswing, could this be too slim a margin for contingencies, and can supply truly keep up with increasing demand?

Lawrence Fernandez, head of Utility Economics for the Manila Electric Co. (Meralco), predicts that the country's energy consumption will exceed that of the past year.

"In the second half of 2015, the above-average increase in consumption, we think, coincided with increased temperatures, probably due to El Niño," he recalls. Based on predictions by the Philippine Atmospheric, Geophysical and Astronomical Services Administration, "this could continue up to the first quarter [of 2016, so] we think consumption will be above average in the first quarter."

As government economists predict a 6-percent increase in the gross domestic product this year, Fernandez says economic activity, including election-related spending, will further fuel the energy demand.

Generating new sources of power

As the gap shrinks between supply and demand, Meralco closely monitors the effects of the El Niño weather phenomenon on

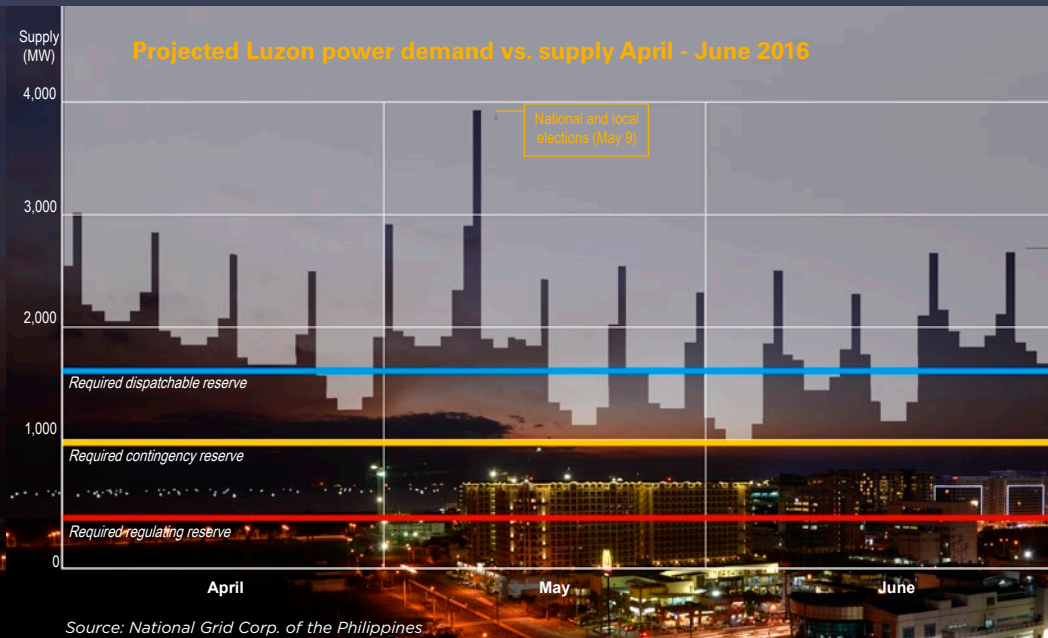
hydroelectric power plants that may reel from below-average levels of rainfall.

"Fortunately, we had some rainfall in the last quarter of 2015," Fernandez says, "and, hopefully, that will carry over to 2016 and not affect the supply of power."

He also anticipates the completion of new power plants scheduled to come online in the second half of 2016. These include phase one of SMC Global Power Holding Corp.'s Bataan plant generating 150 MW, and First Natgas Power Corp.'s 450-MW San Gabriel plant in Batangas.

The condition and performance of existing power plants, many of which are two decades old, remain a long-standing concern for Meralco. Inevitably, questions of reliability arise since many of these facilities already operate at maximum capacity every day.

Projected Luzon power demand vs. supply April - June 2016



"In 2015, there were projections that we may have a tight supply situation in the summer to coincide with the shutdown of the Malampaya natural gas facility," Fernandez explains. "Fortunately, we did not see any brownouts [due to] supply shortages; one reason was that the power plants experienced [fewer] breakdowns compared to back in 2014."

The true price of power

Along with ensuring sufficient power supply, Meralco remains keen on keeping prices stable.

Among the many factors that determine the cost of power, "we have to look at how [fuel] prices and [currency] exchange [rates] have been moving," Fernandez points out. "Fortunately, in the past year, fuel prices have been falling and that is reflected in the generation charge of Meralco. Nine out of 12 months in 2015, the rates went down, so the generation charge is the same as it was six years ago."

While the interplay of fuel prices and exchange rates affect fluctuations in energy costs, he concedes that supply and demand weigh more on the long-term shifts in power pricing.

Meralco will also "ask its consumers to use power more efficiently," he says, in the interest

of ensuring stable power for its 24 million customers in 2016. The call, it seems, is being heeded.

"Historically, annual demand increases by about 3.5 percent, but only grew by 2.9 percent in 2015," he notes. "We think it's because [of Meralco's power campaigns], especially during summer."

Empowering energy consumers

The distribution utility employs key programs to engage customers in maximizing energy usage and extending the available power supply.

"Bright Ideas" is an information drive to help residential customers

make the right choices regarding the appliances they use and their over-all energy consumption. It encourages the use of energy-efficient devices like LED fixtures and appliances with inverter technology and induction cookers. Meralco's Orange Tag program informs buyers how much it costs to operate specific Meralco-tested appliances. These orange-tagged appliances can be seen in local stores and at the Meralco website.

Businesses can turn to Meralco's "Power Ideas" program to get energy audits and advice on improving energy usage. The Peak/Off-Peak (POP) program encourages companies to maximize operations at night and on weekends, when power

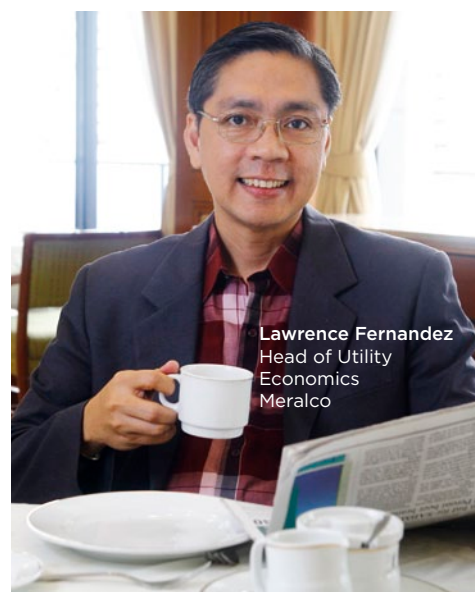
demand, and energy prices, are lower. Meanwhile, the distribution utility's "Power Up" forums bring businesses together to discuss issues and concerns related to supply outlook, energy solutions, and energy efficiency.

Perhaps the DOE's most significant initiative is the Interruptible Load Program (ILP), conducted in cooperation with Meralco. ILP calls on business customers with loads of at least 1MW to run their own generator sets whenever demand peaks and the available supply is critically low.

By employing a mix of different strategies – energy-efficient practices, energy audits, POP, and ILP – along with close coordination with corporate customers, the DOE and power producers, Meralco is able to ensure a sufficient energy supply throughout 2016 and for the foreseeable future.

For more information on Bright Ideas, Power Ideas and other energy-saving programs, visit <http://biz.meralco.com.ph>.

To know more about the Interruptible Load Program, contact the DOE Electric Power Industry Management Bureau at (02) 840-1773, or the Meralco ILP Hotline at 632-8188. ☎



Lawrence Fernandez
Head of Utility
Economics
Meralco

Photography by Jun Pinzon Grooming by Fennie Tan

POLICIES, PROMISES, and POWER

By Kyrah Cheng

The power industry requires a proactive government that helps it keep up with the growing appetite for electricity.

Alternergy's windfarm in Pililla, Rizal.

It's 2016, and the Philippine economy is humming at full tilt. Business process outsourcing companies and factories run 24/7, as do thousands of restaurants, gas stations, and convenience stores. Feeding all this activity, and growth, are some 15,878 megawatts (MW) of electricity currently generated by power plants across the country. All this energy is consumed by Filipinos as if it could never run out but, not too long ago, it almost did.

Scrambling for power

In 1987, the government-owned and debt-laden National Power Corp.'s (Napocor) monopoly of

transmission and distribution was dismantled through Executive Order 215, signed by President Corazon Aquino, to encourage more private sector energy investments.

Despite this, the 1990s were, quite literally, dark times for Philippine businesses.

With over half of Luzon's power plants inoperative and rotating brownouts lasting four hours or longer, the local economy – as expressed in gross domestic product (GDP) – contracted by 0.6 percent in 1991, from a growth of 3.04 percent in 1990. New foreign direct investments (FDIs) fell by 29 percent, to US\$130 million (P6.18 billion) in 1991, from US\$171 million (P8.13 billion) the

previous year.

This spurred the Aquino and the succeeding administrations to implement policies and laws to further change the energy game.

Republic Act 6957, the Build-Operate-and-Transfer Law, was enacted in July 1990, assuring private contractors that constructed and operated power generation facilities would receive a "reasonable return of its investment and operating and maintenance costs." By 1998, about US\$6 billion (P285.36 billion) had been invested by independent power producers, generating as much as 4,800 MW of electricity.

Congress sought to overhaul the power industry and transfer

control of power generation and transmission away from Napocor. To this end, in 2001 it passed Republic Act 9136, or the Electric Power Industry Reform Act (Epira). Among its numerous provisions, Epira deregulates the generation sector; facilitates the eventual privatization of the transmission system; creates a wholesale electricity spot market (WESM), where competitive market forces would establish generation

tariffs and make costs more transparent; and implements retail competition and open access (RCOA).

Despite substantial increases in the power supply, the specter of 1990 continues to haunt the country. Mindanao has been plagued by a series of power outages and rotating brownouts since 2013 (see *"Underpowered Potential" in the Q2 2014 issue*). In 2014, President Benigno S. Aquino III, the son of

Corazon, warned of a return to rolling brownouts in 2015. The brownouts never happened, but that barely assuages concerns over shortages for 2016, particularly during the May presidential elections (see *"The 2016 Power Outlook" on page 8*).

Creating a surplus

"In Luzon, we've had a comfortable reserve since 2015," shares Nestor Dadivas, president of DMCI Power Corp. "The demand was for around 7,800 MW, while the supply was around 10,500 MW. Between now and 2020, the supply from all types of plants, mostly coal, will go up to about 16,000 MW, whereas DOE's (Department of Energy) projected demand is only at 9,500 MW."

Emmanuel Rubio, executive vice president and

chief operating officer of Generation at Aboitiz Power Corp., credits Epira with helping create the energy surplus which keeps prices stable, and ultimately benefits consumers.

"Privatization made the energy industry a lot more efficient and competitive," he declares. "Epira gives customers choices, and motivates us to offer them what they need, when and where they need it, and in the most cost-effective way."

The private sector, he continues, also boosts the capacity of former government-owned assets: "The Ambuklao Plant was decommissioned for 10 years. We took over [and raised its] capacity to 105 MW from its original 75 MW. I don't think this is possible if it remained with the government. I'm not saying they are not good at doing this; I guess it's just the private sector that's making it better."

Decentralizing the power industry, however, has resulted in the Philippines having the third highest electricity prices in Asia, after the cities of Tokyo and Sydney. Joe Zaldarriaga, assistant vice president and head of public information at the Manila Electric Co. (Meralco), points primarily to the absence of subsidies: "We reflect the true cost of power; in other countries, it is used by governments to jump-start and help their economies."

Former Energy Secretary and now Alternergy President and Chief Executive Officer Vincent Perez Jr. elaborates the rationale for unsubsidized power rates. "I know [consumers] don't like that we don't subsidize our electricity," he says, "but it will encourage new private sector players to invest in the power sector."

Epira 15 years on

Perez's observation springs from the growing size of the industry. There are 10 major players engaged in power generation today, while the Retail Electricity Suppliers Association (Resa) counts more than 90 members. He believes, however, that Epira's original timetable might

have been too ambitious: "Epira is 15 years [old] now, so let's consider it as a teenager going through growing pains. It's still trying to find its identity. But I think we're probably 80 percent there with Epira's goals."

Resa President Raymond Roseus thinks Epira's timelines are being pushed back by delays in the disposal of the government's generation assets, but offset by the level of investments brought in by the private sector. "We are moving in the direction the law envisioned," he elaborates. "The challenge is to facilitate improvements and build on the reforms already implemented. We are at a point where we wish to go forward but are still assessing how

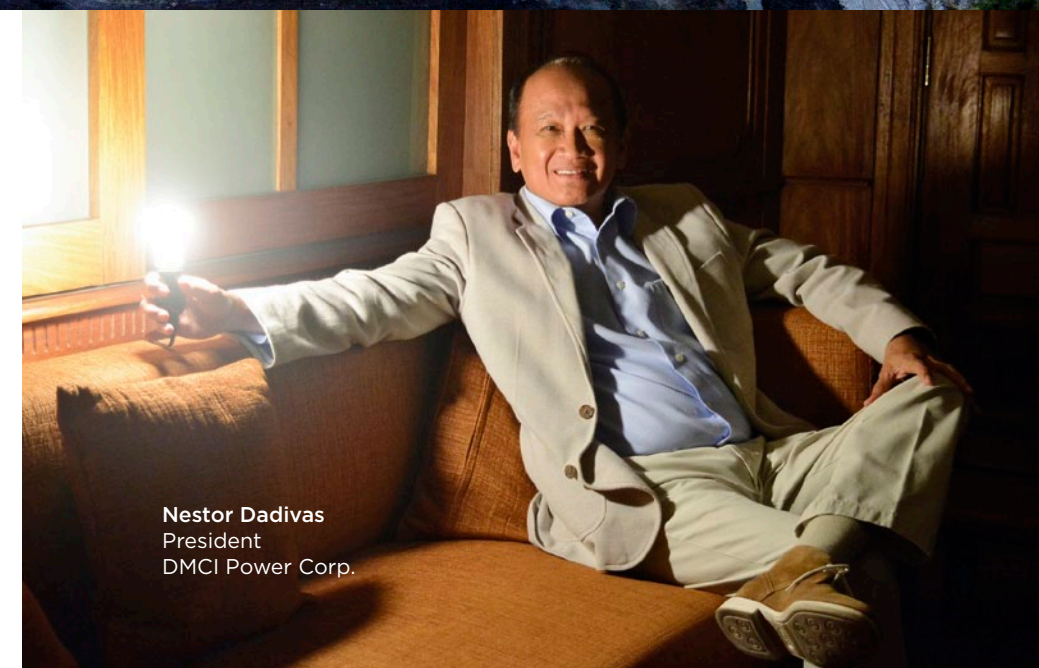
Photography by Dakila Angeles, Dairy Darilag, and Toto Labrador
Grooming by Fennie Tan, Elaine Ganuelas, and Michelle Cochanco



Aboitiz's Pagbilao Power Plant in Quezon province.



Emmanuel Rubio
Executive Vice President and Chief Operating Officer for Generation
Aboitiz Power Corp.



Nestor Dadivas
President
DMCI Power Corp.

'Participation in so-called missionary areas serves our appetite for public service, because we can see how our power plants are contributing to the lives of these people.'

we wish to proceed.”

Delays notwithstanding, Epira sends encouraging signals to foreign companies keen on investing in energy projects. One of these, reveals Zaldarriaga, is a 455-MW coal-fired power plant being built in Mauban, Quezon by San Buenaventura Power Ltd. Co., a joint venture of Meralco PowerGen Corp. (MGen) and Thailand's Energy Generating Co. The plant is scheduled for completion in 2019.

It also encourages a net metering scheme that allows households and businesses to produce their own energy such as through solar rooftop installations of up to 100 kilowatts.

Consistent government support

Perez announces that Alternergy “built 27 wind turbines in Pililla to provide 66,000 households in Rizal with clean energy.” Phase 1 of this project generates 54 MW, while phase 2 is projected to generate 72

plants are contributing to the lives of these people. Previously in Masbate, there were no people in the streets after 5 pm. Now, they're busy at night. There are a lot of retail and food chains now. There's [even] a bit of traffic.”

Roseus thinks the best way to utilize this excess is with increased industrialization: “The challenge for any administration is to transform the Philippines from a developing country into an industrialized nation.”



MGen is also involved in a 600-MW coal-fired power plant in Subic, Zambales through Redondo Peninsula Energy Inc., a joint venture with Aboitiz Power Corp., and Taiwan Cogeneration International Corp.

Stakeholders predict continuous growth in the renewable energy sector as well, thanks to Republic Act 9513. This Renewable Energy (RE) Law of 2008 provides fiscal and non-fiscal incentives to RE investors, such as a feed-in tariff (FIT) scheme that gives priority to grid connection and offers a fixed premium rate for a specified period.

MW. A renewable-energy advocate, he underscores the importance of government support for renewable plants because of the intermittent nature of its energy source.

“The energy industry is where the brave souls are,” observes Dadivas. “There is excess energy, yet new players keep entering [the field] and old players keep investing.”

DMCI, he continues, is pushing its participation in so-called missionary areas, which are not very big, yet have a double-digit growth rate. “It serves our appetite for public service because we can see how our power

Industrial and commercial activities account for 70 percent of current energy consumption, and residential customers take up the balance.

As presidential campaigns get underway and promises fly thick and fast, the power industry hopes the next Chief Executive continues, even improves, the country's energy policies.

Roseus insists on continuity from one presidency to the next, in order to ensure the country sustains the reforms and successes of previous Epira implementation.

“We need a leader who



Raymond Roseus
President
Retail Electricity
Suppliers Association

‘The challenge for any administration is to transform the Philippines from a developing country into an industrialized nation.’

will acknowledge the predecessor's good intentions and ideas,” he avers, “and not just [push his or her] own agenda. The key is to assess which policies worked, and to continue by improving on those that weren't doable.”

Meanwhile, Rubio requires heightened government transparency, sustainability, and predictability, adding, “if there are rulings, they need to be prospective rather than retroactive.”

Recalling projects obstructed by local ordinances, industry players demand better coordination between the national and

local governments.

Hurdles aside, the general industry outlook is positive, with low inflation, fuel prices, and interest rates stimulating increased energy consumption. Moreover, the Philippines's good economic fundamentals promise continuous growth, with GDP projected by the Asian Development Bank to reach 6.3 percent in 2016.

“If we get another 10 to 12 good years, all this capacity will be absorbed,” Dadivas believes. “More foreign investors in the country will also help pick things up.” (With Helen de Castro and Dondi Limgenco)

‘I know [consumers] don't like that we don't subsidize our electricity, but it will encourage new private sector players to invest in the power sector.’

Vincent Perez Jr.
President and Chief
Executive Officer
Alternergy



Shooting with the Gov

By Aaron Ronquillo

BSP Gov. Amando M. Tetangco Jr. takes to the hills to take out some targets.

It's a cool, quiet morning among the rolling hills of Silang, Cavite. Tendrils of fog creep over ridges and trees, shrouding the world in mist. Abruptly, shadows loom in the swirling whiteness. A hubbub of excited voices rises, punctuated by laughter and a few shouts of encouragement.

Suddenly, the air is rent by irregular explosions of gunfire, followed by applause. This is the 15th Amando Tetangco Cup, an annual practical-shooting competition hosted by the governor of the Bangko Sentral ng Pilipinas (BSP).

Practical shooting might seem to

be an unusual pursuit for a man named one of the world's top central bankers, for the seventh time, by the New York-based *Global Finance* magazine. Yet given the weighty responsibilities of overseeing the Philippines's monetary system and enforcing banking regulations in a sluggish global economy, blowing off a few 9mm pistol rounds must feel cathartic.

A shared passion

Nicknamed "Say" from the popular campaign slogan in the 1950s "My Guy, Magsaysay," BSP Gov. Amando M. Tetangco Jr. has long been a passionate shooter. He started by joining his brothers Oscar

and Rene to practice shooting. He eventually graduated from target shooting to practical shooting.

Tetangco says he pursued the sport because he is naturally competitive. However, what is more thrilling is competing against one's self: "I am happy when I see myself improving and performing better at each task that I do. That's the thrill of sports like practical shooting and golf [which I also play]. They are both non-contact sports, where you essentially compete against yourself."

Although not a contact sport like basketball, Tetangco says with practical shooting, "you can also be bruised and the rush of adrenaline

can be just as intense. Practical shooting is just as physically demanding as the other sports. It is also very mentally challenging."

To share the focus and discipline that comes with practical shooting, he wanted to encourage others in the central bank to get into the sport. This led to the formation of a gun club, made up of fellow shooting enthusiasts in the BSP. Tetangco says the gun club aims to educate BSP employees on gun safety, foster camaraderie, promote sportsmanship, and provide "an environment where you can enjoy your passion safely."

Rules and gear

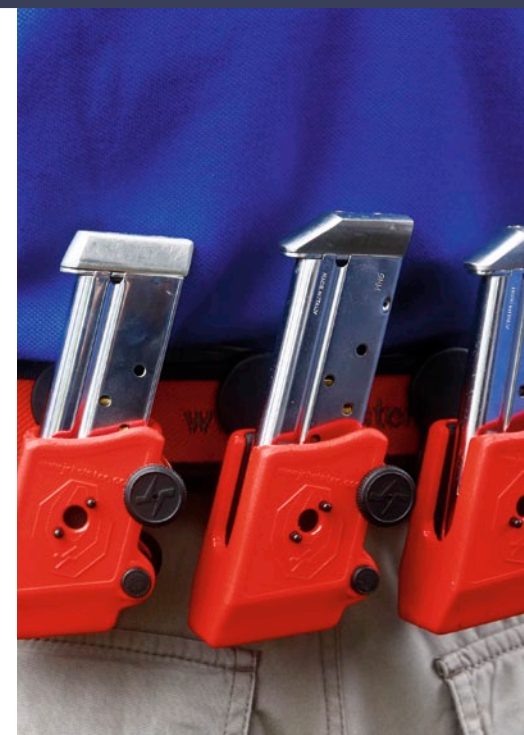
Unlike with static target shooting, practical shooting involves "run and gun," or moving from one position to another to shoot targets in varying positions in a set of different courses that simulate real-life situations. Competitors must not only hit targets accurately, but also engage multiple targets as quickly as possible.

To make things more challenging, penalties are meted out for hitting the wrong target ("No Shoots" are stand-ins for hostages or innocent bystanders), missing and not re-engaging, and failing to comply with the requirements of the course.

To ensure a level playing field, a typical shooting competition is divided into divisions: Open, Standard, Classic, Production, and Revolver.

The Open Division allows the use of specially-modified guns, accessories like scopes and compensators to reduce recoil, and smaller-caliber ammunition for faster and more accurate shooting. Standard Division guns cannot have scopes and compensators.

The Classic Division requires the use of the M1911 .45 caliber pistol without modifications. Competitors in this division can carry up to eight rounds per magazine, so they carry more magazines than shooters in other divisions.



'I am happy when I see myself improving and performing better at each task that I do. That's the thrill of sports like practical shooting.'

At home on the range: BSP Gov. Amando Tetangco Jr. unwinds with intense concentration.



Photography by Jun Pinzon

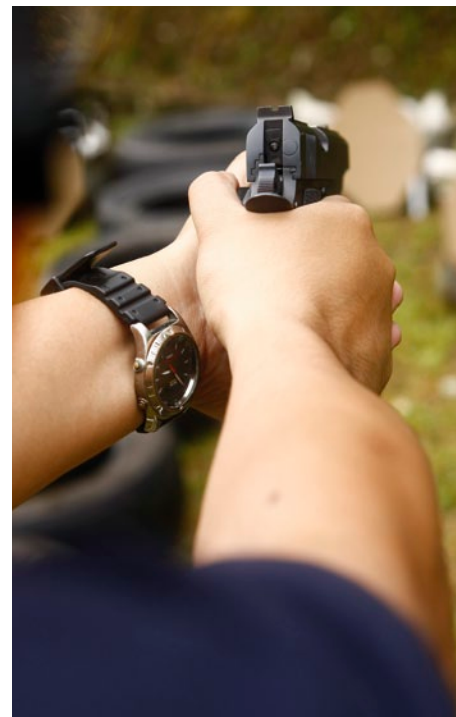
The sport develops focus, sharpness and discipline, which Tetangco believes are necessary to succeed in any competitive environment.



Integral to Tetangco's responsibilities is meeting economic and monetary targets such as the inflation rate and the balance of payments. He also, at times, takes aim at speculators at the foreign exchange market, who will, if left to their own devices, likely toy with the peso's value among the world market of currencies.

So even at work, the BSP chief needs to sharpen his sights on conditions that may cause internal disturbances, and dig into his arsenal of monetary tools and instruments (such as open market operations or interest rate adjustments) to keep the economy on an even keel.

As such, he says the sport develops focus, sharpness and discipline, which he believes are necessary to succeed in any competitive environment. It's a mindset he brings to his work. The mental acuity he cultivates in shooting makes him alert and helps



Between shots, Tetangco relaxes with Nestor Espenilla Jr., Deputy Governor of the Bangko Sentral ng Pilipinas.

Taking aim...at forex speculators

More than a way to sharpen his mental agility, practical shooting also helps Tetangco "destress and decompress" from long and demanding work days.

"I have groups of friends that I go practical shooting and play golf with. Sometimes, it's not really the competition or the sport itself, but it's the company and camaraderie that bring me enjoyment."

him prepare for the challenges in the year ahead.

"These are all skills that a modern central banker needs, to be able to efficiently and effectively steer an organization like the BSP in our current operating environment," he shares, "which, if you will base it on the first work week of 2016, is looking to be anything but boring. As I said in one of my recent speeches, 2016 promises to be riveting and challenging." 🗳️

In the Production Division, shooters must use unmodified, out-of-the-box double-action pistols with heavier trigger pulls. The Revolver Division is open to competitors using modified pistols that shoot faster than standard revolvers.

The Big Bosses Cast Their Votes

By Babe Pañares

As the May 2016 presidential elections draw near, industry leaders weigh in on what they want from the new man, or woman, at the top.

Photography by Jun Pinzon and Albert Labrador

When I was a boy, I was told that anybody could become President; I'm beginning to believe it. — **Clarence Darrow, American lawyer**

Right or privilege. Duty or opportunity. Sacrament or circus. However Filipinos may view the act of voting, given the concerns regarding economic development, inclusive growth, corruption, and the peace and order situation, there is no doubt that much is expected of the Philippines's next President.

A number of the country's chief executive officers take turns in sharing what they believe the country needs from the coming administration.

A foreign country is not designed to make you comfortable. It is designed to make its own people comfortable. —American radio-TV personality Clifton Fadiman

The ways of attracting foreign investments into the Philippines has long been a controversial issue, going back to the 1935 Constitution. Even in the 1997 Constitution, laws and regulations bar non-Filipinos from key areas of the economy, and restrict participation in many businesses. Later amendments allowed foreigners to invest, but only through joint ventures with Filipino citizens.

"Lifting foreign-ownership limits will incentivize foreign companies to open shop in the country," declares Jerome Ong, president of major food manufacturing company CDO Foodsphere Inc. "This will generate more jobs for our countrymen and will definitely bring out inclusive growth."

Jose Mari Mercado, former president of the Information Technology and Business Process Association of the Philippines (IBPAP), shares this view. For 2016,

The next President will have to look hard at current policies and decide on the direction the Philippines must take.

IBPAP projects industry revenues to hit US\$25 billion (P1.2 trillion), and Mercado believes the business process management and IT sectors, in particular, stand to gain from easing Constitutional restrictions on foreign ownership.

The Joint Foreign Chambers of the Philippines urges the next administration to ensure an inclusive

annual economic growth rate of 10 percent, with yearly foreign direct investments at US\$10 billion to US\$12 billion (P477 billion to P572.04 billion).

"The next President should sustain that by making reforms," insists John Forbes, senior adviser of the American Chamber of Commerce of the Philippines. "The money is in

The Presidentiables: on energy mix



BINAY

Recalibrate Feed-In-Tariff (FIT) renewable energy policy to allow more investments and more competitive pricing. Push Constitutional amendments to allow more foreign investors. Reduce bureaucratic inefficiencies that delay new power plants.



DUTERTE

Pursue policies ensuring the country doesn't become a significant climate change contributor. Make renewable energy (RE) a bigger part of energy supply. Review incentives for spurring RE investments. Near-term, coal still necessary; long-term goal is energy self-sufficiency.



POE

Prioritize natural gas, waste-to-energy, solar and wind sources. Direct the National Transmission Co. (Transco) to implement the FIT allowance. Ensure transmission grid is ready for requirements of RE power plants, through Transco coordination with the National Grid Corp. of the Philippines.



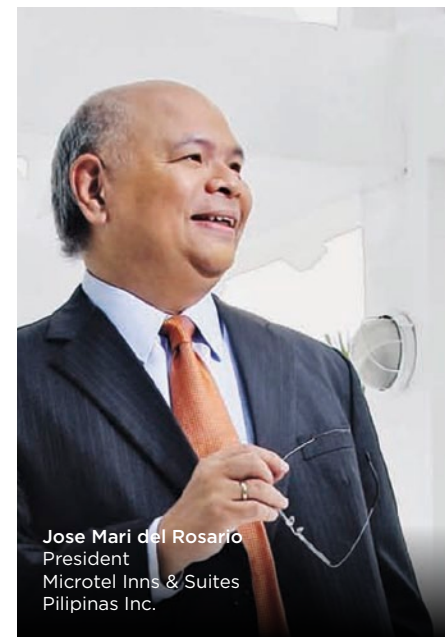
ROXAS

Diversify energy mix and explore RE, particularly natural gas. Use coal until alternative energy sources can efficiently and effectively sustain the economy.



SANTIAGO

Privatize the energy industry under the Electric Power Industry Reform Act. Hasten and implement renewable energy policies. Rationalize fiscal incentives for energy investments.



Jose Mari del Rosario
President
Microtel Inns & Suites
Pilipinas Inc.

the region. We have no doubt the country will be doubling that in the next years."

You and I come by road or rail, but economists travel on infrastructure. — former UK Prime Minister Margaret Thatcher

While many corporations eagerly embraced the Aquino administration's

public-private partnership (PPP) program, uncertainty and hazy implementation guidelines led to a number of delays in getting vital PPP projects off the ground. (See "A Growing Appetite for PPPs" in the Q4 2015 issue of the Meralco Power Club.)

Mercado insists major infrastructure projects, such as the North Luzon Expressway-South Luzon Expressway connector road project and new public transportation systems, are urgently needed to sustain the country's current economic growth streak. He also believes the next President must push for a bill to create a Department of Information and Communications Technology, to address Internet connectivity issues and ensure stable communications services.

Ernest Cu, president and chief executive officer (CEO) of Globe Telecom, also believes that transportation infrastructure needs immediate attention, particularly the Ninoy Aquino International Airport and the mass transit system.

David Chua, president and chief executive officer of Cathay Pacific



Ernest Cu
President
and Chief Executive
Officer
Globe Telecom



Jerome Ong,
President
CDO Foodsphere
Inc.

'Lifting foreign-ownership limits will incentivize foreign companies to open shop in the country.' — Jerome Ong

Steel Corp., agrees that enabling the movement of even more goods and people is important, but cautions that "there is a lot of capital expansion required, [whether] on a PPP basis or on a purely government basis."

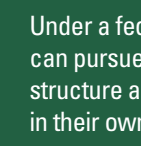
A different issue weighs on Dan Lachica, president of the Semiconductor

On inadequate infrastructure



Push for one mega project per region, and one major project per province. Allocate at least 5% of GDP to an integrated countrywide infrastructure

dev't program. Push for Build-Operate-Transfer (BOT) Law amendments, and passage of Right of Way (ROW) bill.

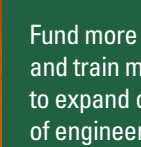


Under a federal gov't, LGUs can pursue their own infrastructure agenda and engage in their own PPPs.



Accelerate infrastructure budget by at least 1% of GDP every year, starting in 2017. Push for BOT Law amend-

ments and the passage of the ROW Bill. Prioritize completion of pending PPP projects and review infrastructure bottlenecks and gaps.



Fund more infra projects and train more engineers to expand contractors' pool of engineers. Improve gov't capacity to carry out project bids, particularly PPPs. Balance between following the rules and implementing projects quickly and efficiently.



Allocate at least 5% of resources for public infrastructure, ranging from P819 billion in 2017 to P1.3 trillion in 2022. Exempt projects of nat'l significance from real property tax and other local taxes and fees. Priority projects: a modern international airport; a new Manila to Sorsogon rail system; one mixed-use gov't center in the NCR and in each of the 17 regions; and one major project per region and per province.

and Electronics Industries in the Philippines Foundation Inc. (Seipi). The cost of not investing in infrastructure concerns him, since heavy street traffic, airport and port congestion cost the economy millions of pesos every day. "This problem concerns all people and industries," he explains. "It brings down productivity and the efficiency of business to operate at full potential."

The social benefits and inclusiveness brought about by improved infrastructure appeals to BDO Unibank Inc. President Nestor Tan: "Building more roads, mass transits, and ports will help spread development, connect our communities, and reduce barriers to trade and commerce, and allow integration of the markets."

The Stone Age did not end because we ran out of stones; we transitioned to better solutions. The same opportunity lies before us with energy efficiency and clean energy. – former US Energy Secretary Steven Chu

With Philippine electricity rates among the highest in the region, Manila Electric Co. (Meralco) chairman Manuel V. Pangilinan is well aware of the impact power has

on economic growth. He wants the next administration to give the private sector more leeway in energy investments.

"It's their money, it's their risk," he declares. "So let them [invest] – subject of course to environmental constraint and proper [permits]."

He maintains that adding new power plants creates a pricing pressure and reduces the environmental impact.

"It is always better to have more supply than less," he states. "[New] power plants are more efficient and better for the country; you could then retire old, creaky, expensive coal-fired plants."

Meralco, the country's largest distribution utility, backs Pangilinan's vision by returning to the power generation business. The Meralco PowerGen Corp. targets a generation capacity of 3,000 megawatts in Luzon.

Reducing power costs, says Lachica, will ease doing business in the country and benefit micro, small and medium enterprises, which comprise 90 percent of all businesses in the Philippines.

"We also need to develop and implement a road map that enables competitiveness in power supply and costs," he adds.

Pardon one offense and you encourage the commission of many. – Roman author Publius Syrus

A growing concern for citizens and corporate bosses alike is the uncertain peace and order situation. Alarming, the national crime rate rose 46 percent in the first six months of 2015, according to the Philippine National Police. Incidences of extortion, kidnapping, terrorism and murder committed by Communist rebels and Muslim separatists severely discourage investment and growth in affected areas throughout the country.



Dan Lachica
President
Semiconductor and
Electronics Industries
in the Philippines
Foundation Inc.

Jose Mari del Rosario, president of Microtel Inns & Suites Pilipinas Inc., stresses the need for a firmer hand: "Our next President should impose a total gun ban with zero tolerance. The death penalty should also be re-imposed for big-time drug traffickers."

For Cu, the peace and order situation is an indication of a government's strength and jurisdiction. "The government should make the people feel safe, and that they are in control."

Chua interjects: "No economy will be able to grow and continuously thrive if there is a security issue.... [That should] definitely be high on the agenda."

The proposed Bangsamoro Basic Law (BBL), which the 16th Congress failed to pass when it went on recess in February, must be enacted to harness

the full economic potential of Mindanao, opines Mercado. "The BBL may not be perfect, but we need a starting point from where we can move toward peace."

A fine is a tax for doing something wrong. A tax is a fine for doing something right. – journalist Lowell Nussbaum

Business leaders are unanimous on one issue: a reduction in corporate taxes. Having the highest corporate income tax rate among the

"It's difficult [to make projections] if the basis for those projections change; if the interpretation of a law, of a legal statute or regulation, is changed [along the way]," he stresses. "The law is the law, and there should only be one interpretation."

For Cu, effective tax reform – including reducing tax rates – could be economically viable, "if revenue leakages are plugged and collections are made to work more efficiently." This, he continues, can only happen when



Nestor Tan
President
BDO Unibank
Inc.

Manuel V. Pangilinan
Chairman
Meralco

'[New] power plants are more efficient and better for the country.'
– Pangilinan

Association of Southeast Asian Nations reduces the Philippines's competitiveness and dampens business activity.

"Reducing corporate income tax," emphasizes Lachica, "will help attract more foreign direct investments, which in turn, can generate thousands of jobs for the Filipino people."

Corollary to lower taxes, underscores Chua, are a guaranteed consistency in the application of rules and predictability in the interpretation of the law, to avoid confusion.

corruption is eliminated.

I cannot trust a man to control others who cannot control himself. – General Robert E. Lee

And then, there's the issue of corruption.

"Good governance is high on our agenda," states Henry Schumacher, senior advocacy adviser of the European Chamber of Commerce of the Philippines. "The next administration should ensure a level playing field."

Ong holds that bureaucratic

On supporting micro, small and medium enterprises (MSMEs)



Streamline business registration system to quicken establishment of more MSMEs. Push for bills expanding microfinancing, and providing MSMEs access to public markets.

Create an environment to encourage entrepreneurs to grow their businesses.



Build more Negosyo Centers and expand their consulting services to include strategic planning, conduct of financial feasibility studies, product improvement, HR development, and sales and marketing. Gov't to share risk in new credit guarantee scheme.

Make capital more accessible, especially for budding entrepreneurs.



Incentivize local government units (LGUs) to ease business permit processing. Hasten integration of permit or licensing systems at the Bureau of Internal Revenue, the Department of Trade and Industry, and other agencies.

On job generation and inclusive growth



Sustain 7-8% annual GDP growth. Amend 1987 Constitution to allow more foreign investments.



Invest in human development. Promote fair competition, political empowerment and participatory development. Provide social security and direct gov't assistance to the poor.



Match the skills and competencies of people with demands of job market. Attract more FDI by lowering cost of power and making it easier for investors to do business. Improve quality of education.



Invest in education, basic health care and social welfare.

On tax reform



Push for inflation-adjusted tax brackets, regardless of short-term tax collection reductions.

Push for a federal system of government, so each region dictates its own revenue targets and fiscal objectives.



Gradually lower personal and corporate income tax rates. Adjust tax brackets to account for rising consumer prices.

Lower taxes and address tax system's structural deficiencies, but not piecemeal, and not in the heat of elections.



Reduce maximum personal income tax rate from 32% to 25%, and corporate income tax rate from 30% to 25%. Rationalize fiscal incentives to offset revenue loss from lowering the corp. rate. Gradually raise VAT from 12% to 15% by 2019.

transparency, minimize red tape, and prevent corruption."

A leader is a dealer in hope. – French emperor Napoleon Bonaparte

Programs and policies aside, what else do corporate chiefs require in a head of state? Many want a president with integrity, vision, political will, and – at the very least – a tertiary-level education.

BDO's Tan is looking for a selfless leader whose goals are driven by the common good instead of personal interests. He admires the Soviet Union's Mikhail Gorbachev, China's Deng Xiaoping and the UK's Margaret Thatcher, who all made significant changes that have had a lasting impact on the majority of

their citizens.

Lachica, who looks up to Singapore's Lee Kuan Yew, wants a chief executive who is innovative and unafraid of change.

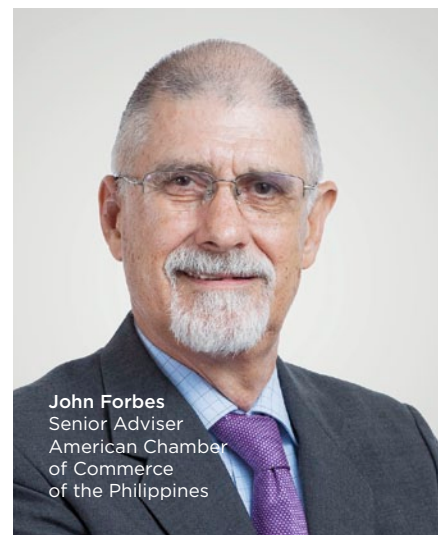
Cu, also a fan of Lee Kuan Yew, prefers a President who makes very strong decisions, and acts quickly: "Someone who doesn't need a lot of analysis and gets things done by taking advantage of low-hanging fruit."

A good leader, defines Chua, "needs to have the strong personality to push necessary policies that are not necessarily

popular." His model leaders include Thatcher and former Philippine president Fidel Ramos.

Ong is equivocal about requiring presidential candidates to have a high educational attainment. "We don't want to discriminate against those with less than a college degree, but it will be a disservice to Filipinos if our President lacks the academic preparation for the job."

Mercado is more certain: "Our democratic institutions require dexterity and skill to work with two other branches of government, and a college education can prepare the



John Forbes
Senior Adviser
American Chamber
of Commerce
of the Philippines

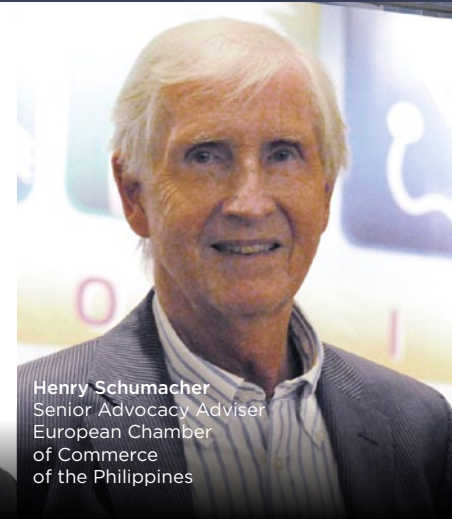


Jose Mari Mercado
former President
Information Technology
and Business Process
Association
of the Philippines

'A good leader needs...to push necessary policies that are not necessarily popular.' – David Chua



David Chua
President and Chief
Operating Officer
Cathay Pacific Steel Corp.



Henry Schumacher
Senior Advocacy Adviser
European Chamber
of Commerce
of the Philippines

President to handle this."

Having a college diploma is not a deal breaker for Del Rosario. "We had a recent President with a PhD who turned out to be ineffective and corrupt," he remembers. "The lack of a college education may be offset by a proven track record and actual work experience.

"The bottom line is that for most Filipinos, the presidency is destiny. As Pangilinan puts it: "To be fair, there are no schools for Presidents."

From tax reform to corruption to infrastructure projects, it's clear that most of the top CEOs have similar views on what the next President ought to prioritize. They can only hope that the Filipino people share the same concerns when casting their votes this coming May. *(With Lenie Lectura and Kyrah Cheng)*

On improving the agricultural sector



Use Dept. of Agriculture funds for food security instead of just rice production. Provide seed and fertilizer subsidies. Scrap irrigation service fees. Mandate gov't banks to provide loans to farmers with guaranteed supply purchase agreements.



Provide free irrigation in regions that grow staples. Halt smuggling. Encourage organic and urban agriculture for small farmers.



Promote mechanization, from production to post-harvest operations. Conduct nationwide soil-testing to tailor crops to specific areas. Curb smuggling. Reinvent National Food Authority (NFA) as a strategic food reserve corporation responsible not only for rice trading.



Provide irrigation support. Invest in post-harvest facilities to minimize losses incurred in processing, storage, and transportation. Consolidate agricultural production to achieve efficiencies and economies of scale.



End corruption at Customs and NFA. Invest in irrigation and water impounding facilities to increase planting cycles. Finance programs that raise yields by using new seed varieties and modern technology. Invest in research and technology.

On ease-of-doing-business policies



Cut business registration system from 34 days and 16 steps, to 8 days and 6 steps. Address cost of electricity and traffic. Issue provisional permits to business applicants once basic requirements are met.



Replicate Davao handbook - wherein business permit processing takes 72 hours - and enforce across all bureaucracies nationwide.



Ensure standard implementation of Ease of Doing Business Reforms nationwide. Reduce cost of transactions in gov't bureaucracies. Amend Anti-Red Tape Act to impose tougher penalties on fixers and violators.



Harness technologies to make doing business easier. Reduce business application period, from four to five days, down to 30 minutes. Eliminate procedural redundancies.



Cut red tape drastically at the LGU level. Cut steps for registering a business, securing a permit to operate, and getting a project approved. Should be at par with other Asean countries.

On Asean economic integration

BINAY Adjust infrastructure requirements and labor force's skills to make us competitive. Goal is inclusive growth.

DUTERTE Push for industrialization to produce high value-added products that we can export to Asean.

POE Align formal education and technology-vocational training to educate and equip labor force with globally competitive skills. Expedite implementation of mutual recognition arrangements to allow free flow of professional workers in region.

ROXAS Make the Philippines an investment haven and business-friendly. Review existing policies and regulations on energy to lower power costs, to encourage foreign investors to establish factories that provide stable and long-term jobs.

SANTIAGO Harness the potential of our industries and small and medium enterprises to manufacture more and trade more in the Asean Economic Community.

Glenn Everett
General Manager
Continental Temic
Electronics
Philippines, Inc.

Different Cultures, Shared Values

by Jing Lejano

Leading automotive electronics supplier Continental Temic speeds ahead by putting people first.

The cool, immaculate clean rooms of the Continental Temic Electronics Philippines, Inc. (CTEPI) plant in Calamba, Laguna, are light years away from the steaming jungles of South America, from where the company's products originally came. Founded in Hanover, Germany, Continental Corp. (or Continental AG) began in 1871 as Continental-Caoutchouc-und Gutta-Percha Compagnie. It offered soft rubber products, rubberized fabrics, and solid tires for carriages and bicycles, ventured into pneumatic tires for automobiles in 1898, and in 1904 became the world pioneer in grooved automobile tires.

The product portfolio has since grown far beyond tires, along with its network of factories across Europe, the United States, Mexico, India, China, Australia, and Southeast Asia. The company develops and produces a broad range of automotive products including cutting-edge

sensors and modules that monitor systems, improve ride comfort and stability, increase fuel efficiency, and enhance safety.

The multicultural nature of today's Continental Corp. is reflected in its Philippine general manager, Glenn Everett. A native of Buffalo, New York, Everett heads part of a major German global corporation with more than 208,000 employees in 53 countries.

An industrial engineer, Everett has worked all over the world in his 22 years with Continental Corp. Formerly assigned to Laguna, he returned in 2015, after three years of managing a mainland China factory in Jiangsu province's Lianyungang.

Concentrating on Asia

CTEPI's output includes chassis components and inertial, speed, and advanced sensors, and advanced driver assistance systems (ADAS) components. Few car owners are even aware these components are in their cars. However, these products

are critical life-saving devices that are part of Continental Corp.'s strategy to ultimately achieve zero accidents on the roads.

"Continental Corp. did very well in 2015," reports Everett. "We [grew] because of the high quality of our products, and because our vehicle safety systems are being adopted worldwide, especially the new driver-assistance products. Global sales reached €29.22 billion (P1.54 trillion) in the first nine months of 2015, up from €25.59 billion (P1.33 trillion) during the same period in 2014.

"In Plant Calamba, our customers are most of the major international car makers, and we ship directly to wherever their factories are. All our products are currently exported."

CTEPI ships to Asia, Europe, and North America, but due to the strength of its new products, especially the advanced driver-assistance systems, it soon expects the majority of its products to ship to Asian locations.

"The addition of our new businesses will change the

percentages," Everett discloses. "Our plant is growing dramatically, and the [sales] growth is all in Asia. The automotive market in China is very big, but also in Japan and throughout the Asean countries, our sales are growing."

Energy management yields efficiency

Three imperatives sustain CTEPI's competitive advantage: developing new talent, strengthening research and development (R&D), and fully utilizing resources, including its power supply. Everett appreciates his company's partnership with the Manila Electric Co. (Meralco).

"Under the [Department of Energy's] Interruptible Load Program, implemented by Meralco, we can avoid an impact because we know there's going to be a power interruption. We just turn on our generators, and our operations are unaffected."

Because CTEPI's precision equipment is very sensitive to power fluctuations, Everett stresses the importance of Meralco's coordination in the maintenance of the plant's transformers through MServ, Meralco's beyond-the-meter energy solutions company.

With the factory's power consumption expected to reach three to four megawatts in four years, CTEPI is constantly looking for stable, affordable energy. Aside from choosing MPower, Meralco's local retail electricity supplier, it recently installed a solar rooftop system that provides 10 percent of its power needs.

Meralco also provides updates and advice across areas like power and load factor improvements, to help CTEPI better understand its electricity usage.

"We learned so much about energy conservation," confides Everett, pointing

out that CTEPI is the first manufacturer in the Philippines to earn certification for the ISO 50001 Energy Management System standard. "We'll be consuming more power, but the power per product we make is actually going down. As we get more efficient, we get more competitive."

Cultivating true CTEPlans

Advanced electronics manufacturing requires a highly skilled team, qualities which Everett values and makes every effort to cultivate. "Our plant is called 'CTEPI' and our people are called 'CTEPlans.' They have high character qualities that set them apart."

Continental's corporate culture is

strong, but projected growth from new businesses may double employment in four years. Everett predicts: "To support our new business growth, we will be adding hundreds of new jobs every year for the next four years."

Finding people who fit into the culture is crucial. "We continue to develop the people on our team," he states, "but as we expand, we're always looking for new talent, [and we work] with local universities to help people learn the skills we need."

In 2007, the company established the Continental University Campus (CUC) in cooperation with Don Bosco College. CUC teaches specialized industrial-automation courses and provides in-

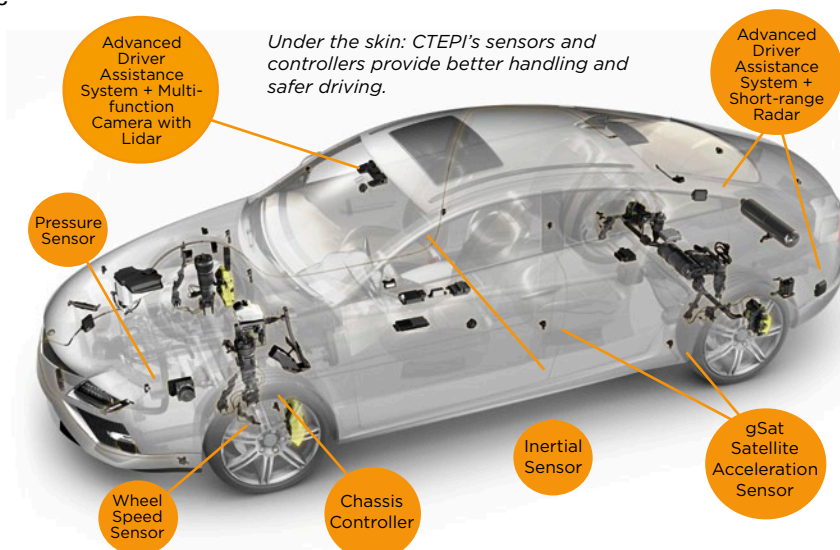
depth qualification and support measures for employees with no university degree. CTEPI also has programs with local high school students to support the K-12 initiative, and partnerships with several Calamba universities offering scholarships to promising young talents.

The business of saving lives

From experience, Everett knows how seemingly disparate people like a machinist in China, a technician in the Philippines and an operator in Germany could share identical values.

"People everywhere take care of their homes and their health," he explains. "They want their kids to be successful and happy. You might think a certain place is hard to understand. But if you don't judge, and just accept, you find that inside, people are the same."

These universal dreams of well-being drive the demand for safe and comfortable transport, which CTEPI is eminently positioned to fulfill. Everett underscores that his business is all about saving lives: "We're filling this need for people to have safer and safer vehicles." 🚗



A BRIGHT FUTURE IN AN ANCIENT PRODUCT

Roberto Fernandez
Chief Executive Officer
Manila Cordage Co.

by Antonette Tagnipez

Manila Cordage keeps an age-old product in high demand.

In antiquity, Egyptians used it to raise the pyramids, Romans to build cities, and the Chinese to craft machines. Made from hair, hide or fiber, rope is literally entwined with the spread of civilization. Used to pull, fasten, attach, carry, lift, hunt, fish or climb, rope's true value is defined by what it secures.

"Rope holds something more valuable than itself," underscores Roberto Fernandez, chief executive officer of the Manila Cordage Co. (Manco). "We have customers that depend on fishing as their main source of livelihood. They [the fishermen] use different techniques to catch fish and, unless the rope used to haul whatever is caught is strong and reliable, they can lose their source of income for the day. Large shipping companies moor their vessels to a pier; if the rope used to hold them breaks, they can lose a very valuable asset. You put at risk all

sorts of assets when you choose the wrong rope."

A natural global player

Manco began on Feb. 20, 1924 in Paco, Manila as a subsidiary of Tubbs Cordage Co. of San Francisco. Its main product was Manila rope made from abaca, *Musa textilis*, a plant indigenous to the Philippines. Abaca has been a prime export product ever since the country was a Spanish colony. It yields the longest, strongest fibers, compared to sisal, hemp, or coconut-derived coir. This makes abaca rope more durable, flexible and stronger than all other natural fiber ropes and because of these attributes, it has long been used as hawsers, ships' lines, and nets.

By the mid-Sixties, the commercialization of polymers allowed Manco to manufacture rope from nylon, polyester and polypropylene. However, the company continues to sell abaca rope all over the world, thanks

to its inherent qualities. Commercial establishments in developed countries continue to require Manco's abaca rope for their operations in shipping, drilling and construction, because of safety and environmental reasons.

With half of its capacity dedicated to abaca rope and twine production, Manco ended the year 2015 with sales of P800 million. Further growth for the company may be realized by expanding its share of the export market, Fernandez explains, but this is hampered by limited supplies of abaca. "Eighty-five percent of abaca comes from the Philippines," he discloses, "but abaca only accounts for 5 to 10 percent of the world's consumption of rope made from natural fibers." Abaca's innate qualities continue to make it a highly sought-after fiber especially in the areas of paper, cordage, clothing and handicrafts.

Fernandez believes current initiatives by the government to increase abaca cultivation continue to fall short of market

demand due to years of neglect. Also, the lack of funding for abaca farmers and farm-to-market infrastructure make abaca a difficult crop to grow and sell.

The Philippine Fiber Industry Development Authority (PhilFIDA) figures show abaca cordage accounted for 10.5 percent, or US\$9.11 million (P428.17 million) of abaca exports valued at US\$86.7 million (P4.07 billion) from January to September 2015. In 2014, data shows cordage accounted for 10.4 percent, or US\$9.45 million (P444.15 million), of abaca exports valued at US\$90.62 million (P4.3 billion). In terms of geographic breakdown, over 72.5 percent of the Philippines's January to September 2015 abaca cordage exports went to North America, 17.4 percent to Asia, and the balance to Europe.

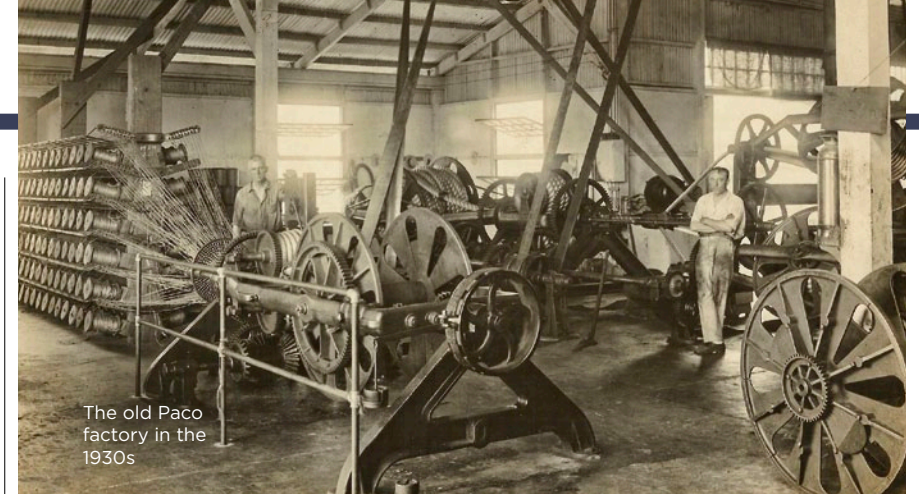
Top knot in the industry

Fernandez's calm, soft-spoken demeanor belies his keen enthusiasm for Manco's heritage and its prospects. Although his family has been a shareholder of the company since the Sixties, his career shift from banking came by necessity after the retirement of Manco's previous management team. He has chaired the company since 2000.

At Manco, he asserts, "I find a certain amount of pride; we are making a product that Filipinos should be proud of. I feel good doing something for the country.

"Many people work here, many farmers benefit from it. We can proudly say [our abaca rope] is 100 percent Philippine-made."

None of this diminishes the contribution of synthetic rope to the



The old Paco factory in the 1930s

'The challenge is in adapting a low-tech, industrial revolution-type company to the 21st century.'

business mix. In the mid-Sixties, Manco moved out from an already-congested Paco to Makati, becoming the first manufacturer of large-sized plaited synthetic ropes in Asia.

By the close of the 20th century, its two production lines – synthetic and abaca fibers – outgrew the Makati premises. The company now operates from a 6.4-hectare property in Calamba, Laguna, with room for growth.

For the last 36 years, Manco has remained the Philippines's top rope producer and is currently the sole ISO 9001:2008-certified cordage manufacturer.

Powering through to the future

From Manco's first plant to its current facilities, the power to twist and plait every strand of rope has been provided by the Manila Electric Co. (Meralco). The distribution utility today plays a significant role in helping Manco move into the future.

"The challenge is in adapting a low-tech, 19th-century industrial-revolution type company to the 21st century," muses Fernandez. "Things done from the '60s to the '90s may not be relevant anymore."

Meralco's partnership grew even more vital with the move to Calamba. "There aren't any new machines that can produce abaca ropes to our high standards, so we still use machines that are nearly 100 years old!" Fernandez reveals. "Our machines use a lot of motors and a lot of power, which makes

electricity a major cost component of production. Meralco helped us find ways to keep them running more efficiently."

Fernandez also credits Meralco's assistance in managing the factory's power and load factor in preparation for the retail open access program of the national government. Manco's consumption level qualified it as a contestable customer. "We talked to retail electricity suppliers," he notes. "MPower (Meralco's retail electricity supplier) came to us and said, 'This is the rate we can give you; you won't find a better rate anywhere else.'"

It is just as critical that Meralco delivers stable, reliable power: "We want to be certain that all the variables in making rope are constant or predictable," he explains. This enables Manco to maintain its high standards when producing rope to exacting specifications and within its targeted cost structure.

"We always make our ropes to meet international standards and we conduct tests to make sure they do. At the same time, we also construct them, to some extent, to meet the requirements of our clients," Fernandez adds. "That's our edge."

Utilized by the ancients, indispensable to this day, rope will always be synchronous with industry. Ninety-two years to the day Manco was founded, "Our customers know us and trust us," declares Fernandez, "because we stand behind our ropes." 🌐



Raw abaca fibers are fed into machines.

Photography by Dakila Angeles Grooming by Michelle Cochanco

A Timeless Landmark, a National Treasure

by Jana Franke-Everett

Meralco's home is now an architectural legacy.

Stately, elegant, soaring. When the Meralco building was inaugurated in 1968, the world seemed like an altogether different planet. Ferdinand Marcos was President and the shadow of Martial Law still four years away. The Vietnam War raged and China was convulsed by the Cultural Revolution. Hippie fashions popularized beads, headbands, and vests. The Beatles were still together.

Meralco's new home was a study in contrasts. Straight lines that curved. Vertical, against a flat, near-empty field. Modern, in an area still considered provincial. That its lines draw the eyes heavenward is no accident; its designer, Architect Jose Maria V. Zaragoza, had established his reputation creating

religious buildings like the Our Lady of the Holy Rosary church in Tala, Caloocan, and the Sto. Domingo church in Quezon City. He gave the Meralco building its most distinctive feature, a *brise-soleil* (French for "sun breaker") façade that reduces heat buildup by deflecting sunlight; even then, the Manila Electric Co. (Meralco) strove for energy efficiency.

The versatility and modernism of his works have earned Zaragoza the distinction of being among the Philippines's premiere architects for over half a century. In 2014, he was posthumously declared National Artist for Architecture by President Benigno S. Aquino III, a distinction that greatly elevates the prestige of the buildings he designed.

On Dec. 2, 2015, both the Meralco building and its creator were honored by the Cultural Center of the Philippines (CCP), at a ceremony held in the building's lobby. A CCP

ARCHITECTURAL LEGACY OF PHILIPPINE NATIONAL ARTIST

MERALCO BUILDING

As the main headquarters of the Manila Electric and Railways Company, the **MERALCO Building** along Ortigas Road, Pasig City was built in 1965 as the largest commercial edifice in the country. Its 14-storey structure was considered one of the tallest at that time that also included a favorite theatre for artistic and cultural performances. The slightly curved facade accentuated with *brise-soleil* (sun buffers) was a benchmark in architectural modernism and engineering principles in Asia. The artistic vision of its architect, Jose Ma. Zaragoza, was achieved through functionality, style and technological advancement whose sculptural form was supported by the strength of its construction materials.



MEDAL OF NATIONAL ARTIST
JOSE MA. V. ZARAGOZA
NATIONAL ARTIST FOR ARCHITECTURE 2015

Marker is now permanently installed at the lobby, and its unveiling was attended by the wife and children of the late National Artist, members of the Lopez family, and Meralco executives.

This recognition is part of CCP's ongoing National Artist Marker Project, which aims to recognize and protect works of National Artists like Zaragoza.

"It is our source of great pride to have the Meralco building conferred the architectural marker, being one

of the distinguished masterpieces of the late National Artist for Architecture, Jose Maria V. Zaragoza," Meralco Chairman Manuel V. Pangilinan declared at the ceremony. "We will continue to take care of our home that has been part of our company's history and the country's progress as well."

Standing at the juncture of Ortigas and Meralco Avenues in Pasig City, the 14-story Meralco building has witnessed convolutions, revolutions, and devolutions

throughout its 48-year history. Surrounded today by taller, more modern buildings, it continues to stand out as an iconic landmark and a tribute to Zaragoza, whose vision and creativity forever influenced Metro Manila's architectural landscape. Having withstood earthquakes and typhoons, the building can be seen as a metaphor for the resilience of Meralco, which remains strong in the face of technological, economic, and political challenges. 🏠

Zaragoza gave the Meralco building its most distinctive feature, a *brise-soleil* façade that reduces heat buildup by deflecting sunlight.



Arch. Jose Maria Zaragoza
National Artist

Photography by Jun Pinzon



Unveiling a historical marker. From left: Jose Zaragoza's son **Ramon** with **Czarina Zaragoza**, Meralco Chairman **Manuel V. Pangilinan**, Zaragoza family matriarch **Doña Pilar Zaragoza**, CCP President **Dr. Raul Sunico** and Zaragoza's daughters **Piluchi** and **Ludette**.



Spreading the light at a turnover ceremony for the One Child, One Lamp program. From left: Meralco FVP and Head, Corporate Logistics Office **Ruben Benosa**; OMF President **Jeffrey Tarayao**; DepEd Secretary **Br. Armin Luistro FSC**; Meralco Chairman **Manuel V. Pangilinan**; Meralco SVP & Head, Customer Retail Services and Corporate Communications **Alfredo Panlilio**

A Beacon to Dispel the Gloom

by Esmi Barrera

OMF's solar lamps tilt the scales in favor of students whose road safety and schooling hang in the balance.

It was a good way to usher in the holiday season.

Last December, Manila Electric Co. (Meralco) Chairman Manuel V. Pangilinan ceremonially turned over an initial 1,000 solar lamps to the Department of Education (DepEd).

This was just the start of Meralco's response to the DepEd's "One Child, One Lamp" (Ocol) campaign, through its social development arm, the One Meralco Foundation (OMF).

There are over 1.1 million students enrolled in 5,914 public schools that lack electricity, the DepEd reported



Photography by Jun Pinzon

last August. DepEd Secretary Br. Armin Luistro FSC responded with the "LightEd PH" campaign, working with the private sector to energize these schools and create a more conducive learning environment. He also launched the Ocol project, to provide students in off-grid areas with solar-powered lamps they use at home.

Meralco's OMF was quick to respond to the DepEd's call.

The campaign gets off the ground

The majority of public schools without electricity "[have] populations of less than 500," explains OMF President Jeffrey Tarayao. "We may not be able to energize all these schools through our full-blown solar electrification program, but these kids should not be left in the dark."

Although the number of schools without electricity has decreased from 7,817 in 2011 to 5,954 by 2014, the DepEd still counts around 1,308 schools in remote or "off-grid" areas, with 2,232 still to be classified.

In response, OMF quickly launched a fund-raising drive, with assistance from Meralco's business units, subsidiaries, and corporate partners. For a minimum donation of P250, a Meralco employee, customer or business partner can help provide a solar lamp to a child in an unenergized community.

This was supported by a Facebook campaign, which urged netizens to post pictures of how they "spread the light" to those in need; for every post, Meralco donates an equivalent amount to OMF's Ocol campaign.

The fund-raising ended in February 2016. OMF reported P2.3 million collected from 1,087 Meralco employees who donated as individuals; group donations from 10 Meralco offices; more than 1,000 customers who donated primarily from Meralco's Corporate Partners; and employee-members of the Meralco Employees' Fund for Charity, Inc.



Each solar lamp has six LEDs, topped with a solar panel to recharge its battery.

OMF estimates it has raised nearly enough funds for its target of 10,000 solar lamps for unenergized public schools throughout the country.

A quick fix for off-grid pupils

About the size of a vacuum flask, each solar lamp has six LEDs topped with a solar panel to recharge its battery. Students may use the portable lamp on their school-bound trek at dawn and their homeward hike at dusk. It boosts their safety on dusty roads, past mud holes and down slippery creeks. When charged during school hours, it can illuminate their homework.

"For school children in remote villages, studying after classes in the comfort of their homes reaps for them the benefits [enjoyed by] students in cities," muses Tarayao. "Children in off-grid communities rely only on whatever light their gas lamps at home give off. Sometimes a single gas lamp lights the entire home to save on the cost of fuel. Since the rechargeable device is solar-powered,

the families save on fuel and can allot more money for food."

Beyond the needs of the day, however, is the promise of a better tomorrow. "Students in off-grid barangays have a limited time to study at night," elaborates Mario Deriquito, the DepEd undersecretary for partnership and external linkages. "When solar lamps help them extend their study time, this can improve their academic performance."

"In the realm of education," notes Luistro, "let us be the light that will help our children realize their vision for themselves, their families and our country."

Meralco's turnover of OMF's initial batch of solar lamps to the DepEd was held during the lighting of the Liwanag Park at the Meralco compound in Ortigas on Dec. 2, 2015. Thanks to its generous donors, the foundation continues to bring light and energy where it is most needed, and proves that generosity lies less in giving much than in giving at the right moment. ☀

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