

POWERCLUB

A MERALCO PUBLICATION | DECEMBER 2017

POSITIVE INFLUENCES

Corporate powerhouses advocate social equity and broader opportunities

HIDDEN NETWORK

Meralco energizes lofty ambitions for Aseana City

POWER IN PAMPANGA

Pelco II injects fresh energy into underserved towns and cities



NESTOR A. ESPENILLA JR.
Governor
Bangko Sentral ng Pilipinas

MAESTRO OF MONEY

The BSP receives fresh guidance under the baton of a new boss

MESSAGES

FOUNDATIONS
FOR GROWTH**ALFREDO S. PANLILIO**Senior Vice President and Head,
Customer Retail Services and
Corporate Communications

Stability and reliability are among the foundations of any strong economy. Both the business and consumer sectors must be assured that the ingredients for prosperity are always in place, for them to have the confidence to spend and to invest.

This is why I take great pride in our Bangko Sentral ng Pilipinas (BSP). Its reputation as one of the world's most respected central banks is evident in the stability of our country's financial system. Without its oversight, our economy couldn't withstand the turmoils of the global business environment.

The peso's resilience during the 1997 Asian economic crisis was the result of sound policies implemented by the BSP years before as well as quick action to defend the peso. The BSP had already opted for long-term debts unlike the short-term debt preferred by our Asian neighbors. To contain the contagion, it immediately raised overnight borrowing rates to keep currency speculators at bay, increased the liquidity reserve requirements of banks to support the peso, and clamped down on the banks' exposure to property debt.

Meralco also recognizes its responsibility to contribute to the country's growth, by helping create stable and stronger power networks. As an example, we invested resources and our technological know-how in our partner, the Pampanga II Electric Cooperative (Pelco II). As a result, Pelco II is now better able to provide an improved power supply across central Pampanga, boosting living standards and allowing for the expansion of local businesses.

We have similarly committed our expertise to visionary companies such as D.M. Wenceslao and Associates Inc., which is redefining leisure and improving business efficiency within Aseana City.

Conceived to become Parañaque's premiere location for work and play, Aseana City is a 21st-century urban center for government agencies, offices, malls, hotels and high rises. Given the scope of the challenges ahead, Meralco is delighted to be part of this undertaking, powering not only the city, but the dreams and aspirations of everyone who comes here.

RESPONSIBLE
BUSINESS**VICTOR S. GENUINO**Vice President and Head,
Corporate Business Group

However complex an economy seems, it boils down to three basic components: government, businesses, and consumers.

Consumers are the main drivers of a modern economy, which is why expanded credit-card use in the Philippines generates so much anticipation. It amplifies market demand as more people tap more goods and services. For its part, Meralco creates the platforms and necessary infrastructure to support this development with Meralco Auto-Payment Arrangements.

With guidelines such as those provided by the Bangko Sentral ng Pilipinas (BSP), and fiscal maturity among consumers, credit-card usage can accelerate business growth.

There's no disputing the importance of the BSP, with its policies closely watched by foreign investors to affect international perceptions of, and confidence in, the local economy. Yet domestic growth and progress are not

solely the responsibility of the government.

Businesses generate jobs, pay taxes, and build the infrastructure that uplifts the lives of people. Semphil Corp., for instance, is part of a vast web of suppliers that keep other enterprises humming. Such networks are especially crucial to small enterprises that often look to larger corporations for financial and technical support.

Meralco's partnership with Chinese deli chain Eng Bee Tin is a prime example. Launched as a family business with a limited customer base, it now supports retail outlets all over Metro Manila and exports its products. This exemplifies a can-do spirit I admire.

The business sector utilizes other ways to make positive contributions. Some firms support community schools, parks, and playgrounds. Others promote nationwide programs in education, health, the environment or, with Meralco, sports. These advocacies prove companies can have an impact on the life of a country beyond business as usual.

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ANALYSIS

The Future in the Cards

BY BIANCA CUARESMA

Credit-card providers must adapt to the clickbait generation's lifestyle purchases

Days before her payables become due, Irma sets aside enough for her credit-card debts. "Years ago, when my kids were very young, I found it harder to control my spending," she narrates in Filipino.

Her bills these days are mostly for Sunday family restaurant lunches, her maintenance medicine, and partial payments for her son's new mobile phone.

"I used to pay more for fees and penalties than the price of the items I'd bought," recalls the 58-year-old mother of five. "I've finally gotten better at paying these bills."

More than a decade ago, when Irma first got her credit card, consumers also had no automatic-payment options, such as what is available at the Manila Electric Co. (Meralco). Today, Irma can subscribe to electronic billing, which at Meralco will soon give way to Meralco Online.

Spending on prosperity

Fortunately, Irma's improved credit-card habits reflect the general trend of credit-card use among Filipinos, along with their ability to pay their bills.

An analysis by the Credit Card Association of the Philippines (CCAP) ascribes the rising propensity of credit-card holders to spend, and their improved paying ability, to the country's beneficial economic conditions.

Data from the Bangko Sentral ng Pilipinas (BSP) shows a steady growth in credit-card receivables over the past years, nearly doubling from P130.7 billion in 2008 to P248.28 billion in 2016.

Non-performing credit-card loans, which are left unpaid for at least 90 days after their due date, also decreased. Numbers from the BSP show total bad loans from credit-card receivables declined to 5.12 percent in 2016 from 11.71 percent of the total credit-card loan portfolio in 2008.

The number of cards issued by Visa as of June this year grew by 26 percent year-on-year from 2016. Total transactions for their cards also increased 29 percent year-on-year by the first half of 2017.

Broad economic growth, driven largely by robust consumer spending, means more card holders have better-paying jobs and enjoy improved business opportunities. They can spend more and pay better, according to CCAP.

ANALYSIS

'The increasing number of younger credit-card holders prompts banks to come up with more convenient payment schemes.'

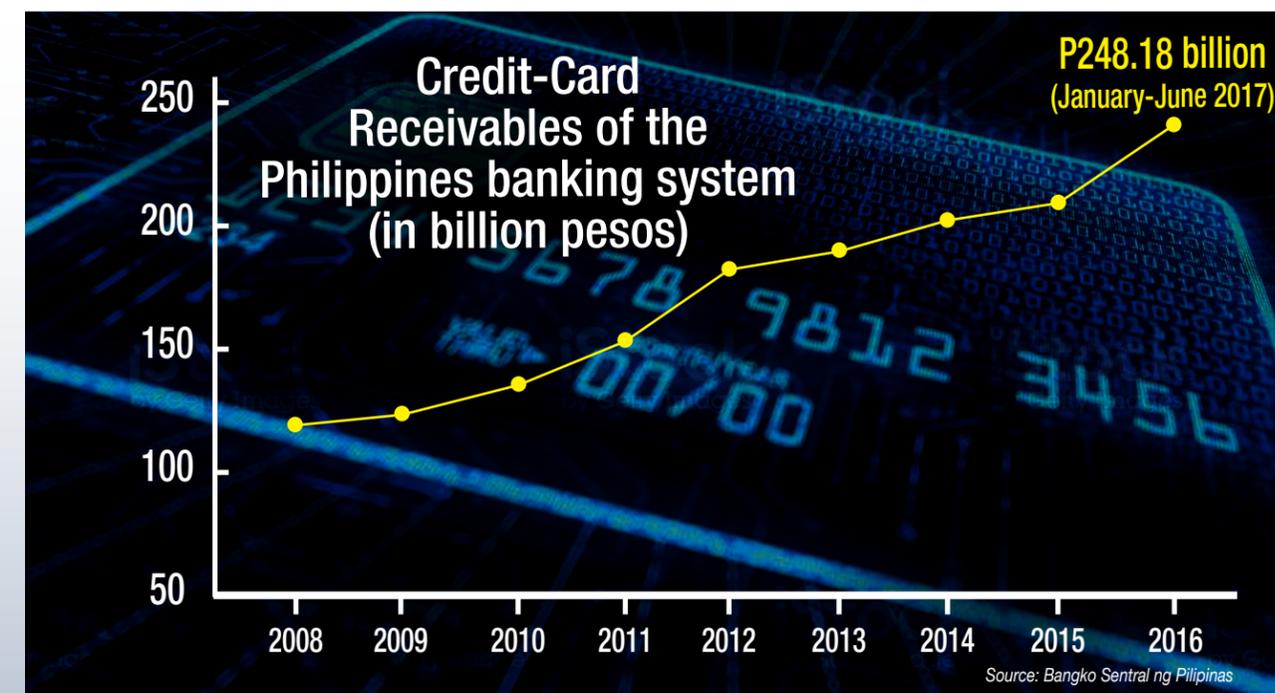
Belen Lim
President, Credit Card Association
of the Philippines

But while credit-card companies offer 12- to 24-month installment schemes for big-ticket purchases, CCAP reveals card holders generally use credit most frequently to purchase everyday items.

CCAP data shows the top purchase categories among Filipino credit-card holders are groceries, drugstore

purchases, department-store buys, restaurant bills, and petroleum products. These are fairly similar to those observed 10 years ago.

Seasonality for credit-card spending in the country remains unchanged for over a decade; card use spikes in summer for travel and vacations, again in June for



'We're seeing more credit-card use for online purchases. Credit-card providers must adapt to tap the younger segment's market potential.'

Alex Ilagan
Executive Director
Credit Card Association of the Philippines

enrollment and education expenses, then peaks during the holiday season.

CCAP President Belen Lim observes the rise in holiday spending usually starts around October and November. "People start buying early," she explains, because they know "the bill will not come in until the next month."

BSP data proves that since 2007, the fourth quarter accounts for the largest volume of credit-card receivables in the country.

New users start younger

Credit-card consumer behavior remains fairly consistent over the past decade. However, Lim notes the significance in the rising number of younger credit-card holders in the country. She warns that a new generation of consumers will need more guidance in handling their debts, since first-time credit-card holders tend to overspend.

Irma acquired her credit card while she was in her mid-forties, with expenses to raise a brood of five. Today, she worries over the effect on her youngest daughter's fiscal health when the latter acquires her first credit card. The 24-year-old, one of a twin pair, works as an accounting personnel for a Korean company in Clark.

"She spends on trivial things," Irma frets. "I worry she might spend more than what she can afford when she pays with a card, and not with cash."

Lim weighs in. "Younger people have an instant-gratification mindset," she believes. "The credit card is a good facility. They can use it to get gadgets, appliances, and clothes right away and opt to pay in installments, to



buy several things at the same time."

These consumers' top purchases include entertainment buys, gadgets, airline tickets and travel expenditures. This market segment, the CCAP president adds, is also big on online transactions.

That's true, says Stuart Tomlinson, Visa Country Manager for the Philippines and Guam. He observes that aside from travel and personal electronics, other top categories for online payments in the country include utility services, fashion accessories, and cosmetics.

Adapting to consumer lifestyles

CCAP Executive Director Alex Ilagan equates the growing phenomenon of younger credit card holders with the Philippines's shifting demographics. Already, the industry readies itself for a transition over the next few years in credit-card spending habits.

"We're seeing more credit-card use for online purchases," Ilagan discloses. "Credit-card providers will have to adapt, to tap the market potential of the younger segment. If more credit-card holders are 'biased' in favor of

cards that offer points or rebates for travel, providers will naturally develop products that offer those types of incentives."

Meanwhile, Lim reports, the increasing number of younger credit-card holders prompts banks to come up with more convenient payment schemes.

"These card holders don't want to go to a bank to queue," she notes. "Payment channels, such as online payment, have to be more efficient and convenient."

Meralco currently offers Auto-

Payment Arrangements (APA), which allows its customers to link their credit cards and debit cards, enabling faster, secure, and worry-free automated bill payments. APA is part of a broader Meralco strategy to improve collection, reduce unpaid billings, and prevent disconnections.

In the works for 2018 are online payment and paperless billing options to enable Meralco customers to make fast, simple and convenient transactions, with Meralco Online.

With online billing, customers can view and download their Meralco bill through the app and browser, track their power consumption, and compare their monthly energy bills and usage. For a convenience fee,

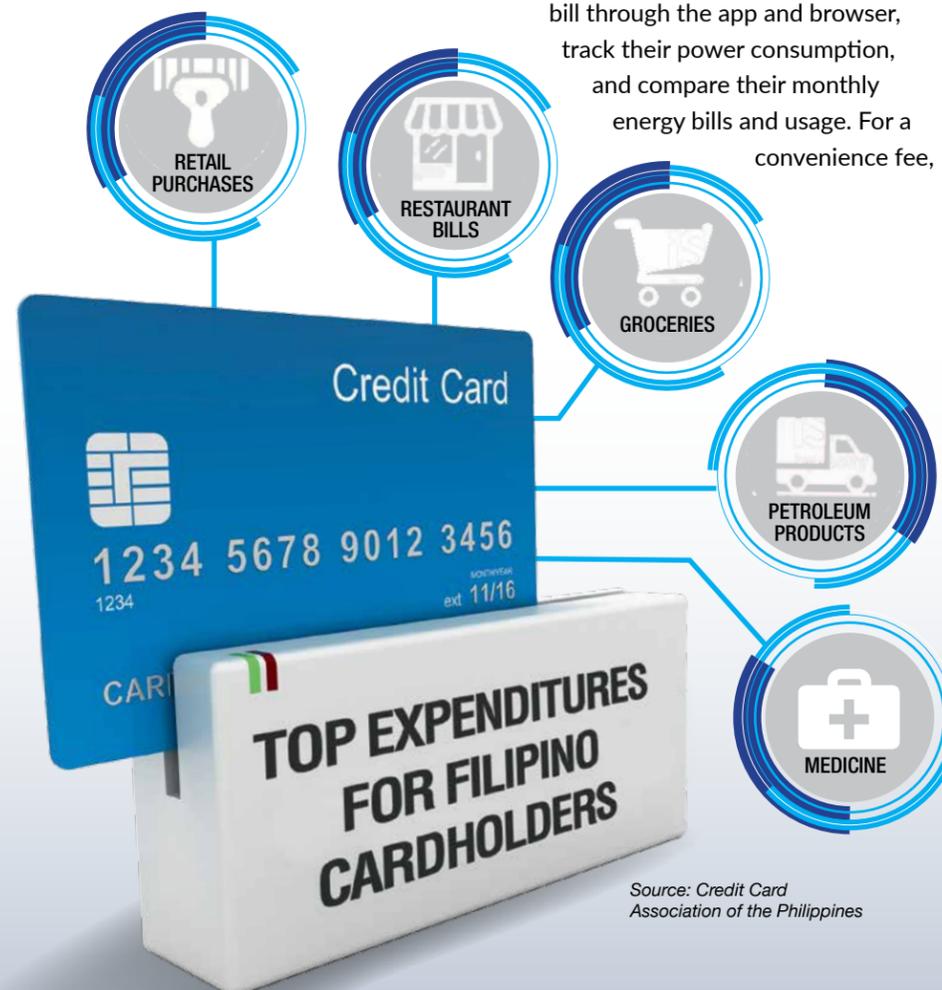
Top categories for online payments in the country consist of travel expenses, personal electronics, utility services, fashion accessories, and cosmetic products.

they can do partial, over- and advance payments online, using a credit or debit card account.

Customers can also enjoy the convenience of getting billing and payment notifications through SMS and email alerts. An online loading option for customers that subscribe to prepaid electricity is in the pipeline.

Overall, CCAP sees bright industry prospects for 2018, projects credit-card loans and receivables to further increase, and anticipates the government's implementation of tax reforms. The comprehensive tax-reform program aims to slash income taxes, especially among lower- to middle-income earners, and increase disposable incomes.

"I shouldn't worry about my youngest," Irma sighs. "Kids are more stubborn these days, but also more informed. They have it easier; they have Google. They should know their way in the world. Hopefully, they can make smart decisions about how they spend their money." 🙌



Source: Credit Card Association of the Philippines

POWER
IDEAS

MERALCO

ENERGIZING *cities of the future*

BY MC SANTOS

Meralco provides the muscle to power Aseana City's underground distribution facility



'We envision Aseana as a next-generation city. To achieve this, we must adhere to global infrastructure design guidelines and standards.'

Delfin Angelo C. Wenceslao
DMWAI Chief Executive Officer

Rising on reclaimed land along Manila Bay, the glittering Aseana City will showcase the latest concepts in mixed-use urban living. Cleverly hidden will be the infrastructure that includes the power network to light up the city and make everything in it work.

To turn this concept into reality, real-estate developer D.M. Wenceslao and Associates Inc. (DMWAI) partnered with the Manila Electric Co. (Meralco) and its subsidiary, Meralco Industrial Engineering Services Corp. (Miescor), to install the first phase of the power distribution facilities underground.

"This project demonstrates our organizations' continuous commitment to improve the infrastructure that supports our country's growth, and better the lives of our fellowmen," declares Victor S. Genuino, Meralco vice president and head of the Corporate Business Group. "We are aligned with the government's 'Build, Build, Build' agenda."

He added: "Energy is essential to any business and development, and Meralco is privileged to be part of the thriving industries that drive the Philippine economy."

Meralco data shows a marked increase in activity by the real-estate industry from 2016 to 2017, demonstrated by the number of new condominiums and mixed-use communities being built and developed. The business process outsourcing sector is now closely followed by Philippine offshore gaming operators in helping drive commercial-sector growth.

"We are excited about all this," Genuino reveals. "In fact, Meralco is looking for ways to be a more active player." This engagement goes beyond going with the flow, and involves charting a path for others to follow. "We evolve," he explains, "because the needs of our customers also evolve."

For his part, DMWAI Chief Executive Officer Delfin Angelo C. Wenceslao attests to the company's enduring and deeply rooted partnership with Meralco.

"We envision Aseana as a next-generation city," he explains.

"To achieve this, we must adhere to global infrastructure design guidelines and standards, which include creating an underground distribution facility for the whole city."

He adds, "partnering with Meralco, which contracted Miescor for us, is simply the most logical step to take. Miescor is already well-versed in the best global practices, and has much to teach us and our locators."

DMWAI plans to construct the subterranean network in multiple phases, the first of which is handled by Miescor. "We create the design," explains Meralco senior vice president and head, Networks Ronnie L. Apocho, "and Miescor executes it and does all the builds."

Meralco's stringent technical requirements must be met from as early as the civil-works construction phase, he stresses. Its close coordination with Miescor ensures compliance with these standards, because only then can Meralco lay down the underground distribution lines.

A major challenge presents itself as the next phases of the construction proceed. Apocho points out that it is crucial for Aseana, its contractors and Meralco to work together to ensure that the project continues to adhere to high technical standards while guaranteeing reliability.

As part of the city's 10-year infrastructure development, the subterranean power distribution system will do more than improve the aesthetic look of the community. The practical benefits include a built-in resilience to avoid damage caused by natural disasters, such as typhoons and earthquakes. This technology is already utilized in many major cities around the world.

"It's not easy to transform water into land; it requires unfailing commitment to make things happen," says Angelito D. Bermudo, president and chief executive officer of Miescor.

"Miescor is delighted to be part of this project. We have solutions for power, water, ICT (information communication

technology), and infrastructure. We congratulate Aseana City for the boldness of their vision and the courage of their investment decision."

Genuino is confident that, as an end-to-end energy-solutions partner, Meralco will continue to redefine its participation beyond supplying electricity. "We want to continuously create value and innovate for our partners," he remarks. "We want to create smarter and sustainable projects that will complement and contribute to the local community and to national development."

This begins, he says, by asking customers such as Aseana the fundamental question: "How else can we help you?"



Signing the memorandum of agreement for the project are Victor S. Genuino, Meralco VP and Head of Corporate Business Group; DMWAI's Wenceslao; and Angelito Bermudo, Miescor president and CEO.

BIZ SPOTLIGHT

PERFECTING THE RECIPE FOR SUCCESS



Visionary entrepreneur Gerry Chua's continuous innovation, good *hopia*, and charitable heart make life and business sweeter

BY FLORIAN GARCIA

Initially, Eng Bee Tin's signature *ube hopia* (purple-yam pastry) was not a big hit. When the first batch came out of the oven, a prominent exporter refused the Chinatown bakery's free offer of 50 cases.

Founded in 1912, the iconic Binondo bakery struggled to keep its doors open in the 1980s. The founder's fourth-generation descendant, then 21-year-old owner Gerry

Chua, wanted to revive the business through an innovative product, the mooncake-like ube hopia. He whipped up the recipe when he learned that purple yam was the best-selling ice-cream flavor at a nearby Chinese grocery, an old haunt of his.

"Our checks were bouncing, and we barely had enough to pay for sugar and flour," Chua recalls. "I had to do everything by myself to cut costs."

Hardship and rejection never stopped Chua from his pursuit of big dreams for Eng Bee Tin. He persistently pleaded with the exporter to bring his ube hopia to the United States. Once American customers cultivated a taste for this unique pastry, his life and business began to change for the better.

A heart for the community

From that small Ongpin bakery, Eng Bee Tin grew to manage 20 branches and five restaurants, and offer



Photography by Alan Cabarles Vinluan

'The help we continue to receive from Meralco, I will pass on to others.'

Gerry Chua
Owner, Eng Bee Tin

an impressive array of deli products. Chua's pet project, Café Mezzanine, is an instrument for him to give back to his community.

Chua donates 100 percent of the café's profits to Binondo's highly regarded fire brigade, of which he had been a member since he was 16. Over the years, he donated 10 fire trucks and two ambulance vans decked out in Eng Bee Tin purple, reminiscent of the popular ube hopia.

A significant part of its success is the company's ongoing relationship with the Manila Electric Co. (Meralco). Eng Bee Tin worked with the Meralco Biz Partners, from planning to energizing state-of-the-art headquarters of its own.

Chua met the Meralco Biz Partners through Gemini Electric, an accredited Meralco contractor.

With consultancy services provided by the Biz Partners, Chua equipped his building with a car lift, energy-efficient fixtures, and an innovative transformer system that saved the business over P8-million worth of real-estate space.

MERALCO BiZ PARTNERS

Meralco BiZ Partners serves the energy needs of customers with a contracted capacity of 5 to 499 kW.

"I will convert the space freed up by the overhead transformer into a coffee shop, and the profits will be donated to a good cause," promises Chua. "*Ang tulong na patuloy na binibigay ng Meralco, itutulung ko rin sa iba*" ("The help we continue to receive from Meralco, I will pass on to others").

A testament to success

The partnership between Meralco Biz Partners and Eng Bee Tin continues to deliver positive results for the latter. For example, right before Chinese New Year 2017, the Eng Bee Tin factory operated 24/7 to

churn out the seasonal treat *tikoy* (sticky rice cake), when a transformer servicing the area blew and cut off power to the facilities.

"A lot of people only come to Binondo once a year, on Chinese New Year," Chua explains, hence the accident could have dealt a severe blow to Eng Bee Tin's sales during one of the most crucial times of the year for the business.

He immediately called up Biz Partners and in less than an hour, factory operations were back to normal. "With Meralco's help, we were able to open our new building in time for the occasion," he reports, "with plenty of *tikoy* for everybody, and record sales for the business!"

More than the tangible successes of Eng Bee Tin, "it is Gerry (Chua)'s perseverance and generous spirit that truly inspires Filipino brands to innovate, go global, and give back to their own communities," says Cecille M. Domingo, Meralco's senior assistant vice president and head, Biz Partners Group. "We are honored to name him a Meralco Biz Luminary for 2016." 🍌

ONE MERALCO FOUNDATION

BY ESMI BARRERA

POWER

for sun-drenched island classrooms

OMF, UBS Philippines give solar energy to more schools in Bohol

Tourists may know Bohol for its pristine coral reefs, its indigenous Philippine tarsier, and the spectacular Chocolate Hills.

Lesser known are the numerous small islands that belong to the Central Visayas province, the nearest of which is 45 minutes by boat from the main Bohol island. Because of its remoteness, beyond the areas serviced by the Manila Electric Co. (Meralco), the country's largest power distributor, the elementary and high-school buildings in these islands are not connected to the power utility's grid.

The solution lies with solar photovoltaic technology. One Meralco Foundation (OMF), Meralco's social-development arm, returns four years after its first foray into Bohol, to energize six more schools. This is the latest in OMF's school electrification program, which has energized about 170 off-grid public schools since 2012.

This time, the beneficiaries are Calituban Elementary School, Calituban High School and Nocnocan Elementary School in Talibon; and Bilangbilangan Daku Elementary School, Malingin Elementary School, and Ponciano L. Padin National High School in Bien Unido.

"Electricity is a fundamental need, especially for schools where technology plays an important role in improving the quality of education," stresses OMF President Jeffrey O. Tarayao.

"Providing electricity is only the first step. Making use of this resource to improve learning is the next big challenge."

For this project, OMF teamed up with UBS Investments Philippines Inc., the Philippine investment house of the Swiss

global financial services company, UBS.

The six beneficiary schools were installed with 1- to 2-kilowatt peak solar photovoltaic equipment donated by OMF and UBS Philippines. To encourage the students and faculty to maximize the solar-power supply, UBS Philippines turned over to each school a multimedia package that consisted of a 40-inch LED TV, an integrated photocopier-printer-scanner, and a laptop computer.

Tarayao and UBS Philippines Chairman and President Lauro C. Baja III signed a memorandum of agreement in the presence of Meralco Chairman Manuel V. Pangilinan, to formalize the donation of P1 million for the project.

"UBS Philippines and One Meralco Foundation share a common aspiration to bring progress especially to communities living in the margins," underscores Baja.

In a meeting with OMF and UBS Philippines representatives in Tagbilaran City, Bohol Governor Edgar M. Chatto expressed gratitude for the selection of the province's island schools for the project.

"The success of this school electrification project in Bohol shows how marginalized communities benefit from a strong partnership between the government and private sector," he believes. "This *bayanihan* initiative allows private companies like Meralco and UBS Philippines to contribute to nation-building, by bringing basic services especially to isolated communities."

The newly energized public schools across the islands of Bohol will empower the province to better invest in the future of its youth. 🌞

DIGITAL CONNECTIVITY FOR ED SA COMMUTERS

BY ESMI BARRERA

While Line 3 of the aging Metro Rail Transit (MRT-3) is still beset with service interruptions, its commuters were the lucky first recipients of a promise now kept: the Edsa Free Wi-Fi Project.

In June 2016, the Duterte administration announced it will provide free Wi-Fi and high-speed internet services inside the carriages, on the MRT-3 platforms and along the 24-kilometer street-level stretch of E. delos Santos Avenue (Edsa).

Three internet service providers are involved. "Pipol Konek" by A&A of the Department of Information and Communications Technology (DICT), offers permanently free Wi-Fi. PLDT-Smart Communications grants 30 minutes of free interconnectivity without a data cap. Globe Telecom Inc. also provides a 30-minute free allotment. Internet surfers can purchase additional loads to extend their internet activity.

Smart estimates Edsa is besieged daily by half a million MRT-3 commuters and motorists on 326,000 vehicles, but the project's initial beneficiaries are the railway regulars. The first stage was soft-launched by the DICT with the National Telecommunications Commission on Independence Day, June 12. This stage covered all 13 MRT-3 stations from North Avenue to Taft Avenue, and the continuous stretch of Edsa from Guadalupe to Cubao at street level.

The second stage, to cover from Cubao to North Avenue, and from Guadalupe to Taft Avenue, is set to turn the length of Edsa, the street level alongside MRT-3, into a continuous high-speed Wi-Fi zone from Taft in Pasay City to North Avenue in Quezon City. The last stage will cover the entire stretch of Edsa beyond MRT-3, from the Mall of Asia in Pasay to Balintawak, Quezon City.

Globe foresees the project addressing existing challenges on mobile signals along Edsa, especially during rush hours, thanks to macro sites and small-cells deployment.

ELECTRIC CAPITAL PROJECTS

The Manila Electric Co. (Meralco) laid the groundwork before the free Wi-Fi service was activated. Working on the entire length of Edsa, and with help from Pasig Construction 1, it spearheaded multiple surveys to identify the Meralco facilities to power up the project.

According to Meralco's Corporate Business Group Relationship Manager Leo Patrick A. Panes, Meralco's Technical Services and Relationship Managers assumed the role of overall project manager.

Coordinating with the two telecoms companies, Meralco conducted electrical inspections of power-source facilities for Smart and Globe Access Points (APs). They also consulted the local government units of Pasay, Makati, Mandaluyong, San Juan, Quezon City, and Caloocan to resolve rights-of-way issues and energize the telcoms facilities within their jurisdiction. It also accommodated a special metering facility set up to energize the APs.

An optimistic government timeline calls for the Edsa Free Wi-Fi project to cover the entire street level of Edsa before the end of 2017.

A mid-year report from Smart, A&A, and the DICT states about 230,000 of the 444,044 daily MRT-3 commuters connect to the free Wi-Fi service during peak hours.

Once the service coverage is complete, Edsa's more than one million daily north- and south-bound commuters, motorists, and pedestrians can avail of high-speed internet and cool their heels while stuck in gridlock or waiting their turn at Manila's most congested railway line. Beyond the merits of portable entertainment is the prospect of people being more productive away from home, school or work. 🌐



Free Wi-Fi and high-speed internet keep heads cooler on Manila's congested railway line

INDUSTRY TRENDS

GENEROUS GIFTING

Big businesses step in to educate, hone skills, and foster a culture of winning

BY CHERRIE REGALADO

The wise man, counsels Chinese philosopher Lao-Tzu, “does not lay up his own treasures. The more he gives to others, the more he has for his own.” Certainly, some of the country’s biggest businesses take this advice to heart.

A *Forbes Magazine Philippines* report in March 2016 notes that in 2013, close to P2 million was spent by nine of the country’s richest families on various social initiatives. Much of this went to programs focusing on education, community welfare, rural development and health care.

Gifts that keep on giving

Companies that devote resources, time, and expertise to promote community, environmental or social causes are said to be attending to their corporate social responsibility (CSR), also known as corporate citizenship. CSR activities often go beyond what is required by law or environmental protection groups, and don’t guarantee an immediate financial advantage to the company.

Customers themselves benefit from some CSR activities. Programs that support farmers, for example, ensure the regular supply and quality of food. Sponsorships of parks and museums

make enjoyment of these public spaces more accessible and affordable. And many customers simply love to feel personally involved in causes by patronizing brands associated with a cause.

A Nielsen Global Survey of Corporate Social Responsibility in 2015 indicated that Filipinos are among the most socially conscious consumers in the world, and tops the ranking in Southeast Asia. Eighty-three percent of Filipino respondents, according to the survey, said they were willing to pay extra for products and services of companies “who are committed to positive social and environmental impact” through their CSR programs.

In the six months during the survey period, the Nielsen report said, some 77 percent of Filipino respondents purchased an item or service because it was manufactured or offered by a company with a social and environmental thrust.

Of course, most companies directly contribute to their communities through job creation, and to the country through taxes and the infrastructure they help create. But by engaging in CSR programs, corporations can more proactively promote positive social change.

Choosing a cause

Some industries undertake CSR programs for accountability. Laws require

mining companies to fund programs that ensure the environmental well-being of the communities where they operate.

The nature of some businesses suggests its CSR objectives. Retail chain National Book Store, for example, aims to boost literacy among the underprivileged.

Other advocacies stem from the personal inclinations and beliefs of management: sports, in the case of Meralco Chairman Manuel V. Pangilinan, or education, for the Gokongwei brothers.

Companies also demonstrate corporate citizenship by responding to sudden calamities and pressing issues: with blood-donation drives, disaster-relief volunteerism, eco-friendly programs, and support for marginalized groups.

One cannot discount the power of wielding a positive social influence. Smart Communications, in 2016, for instance, aired a TV advertisement that encouraged the acceptance of same-sex relationships.

The ad initially caused a few negative reactions; the Philippines has one of the largest Roman Catholic populations in the world. But eventually, the telecommunications firm received widespread praise for tackling a sensitive issue.

Detractors may greet CSR engagement with cynicism, but business influencers must appeal to everyone’s moral intuitions. The difference corporate citizenship makes to its beneficiaries is undeniable.

There are children with libraries and up-to-date textbooks; better-trained athletes with competition-grade gear; vocational students certified to international standards. Changes may not be immediately visible but are certainly being felt, because whatever we put our energy in is what grows. 🌱

EDUCATING TO INDUSTRIALIZE: THE GOKONGWEI BROTHERS FOUNDATION

JG Summit founder, John Gokongwei Jr., holds business interests in telecommunications, food, property development, air transportation, and power. (He also owns 30 percent of the company that publishes *Meralco Power Club Magazine*.)

Named the second richest Filipino in 2017 by *Forbes Magazine Philippines*, Gokongwei donated half of his shareholdings in JG Summit in 1992 to form the Gokongwei Brothers Foundation (GBF). His brothers Henry, James, and Johnson contributed a major portion of their shares to the organization.

GBF’s advocacy focuses on education, which the brothers firmly believe is crucial to economic development. Its endowments to schools fund facilities upgrades and subsidize tuition fees. It owns a technical training center and offers scholarships for technical-vocational students, children of JG Summit employees, and science, technology, engineering, and math (STEM) undergraduates.

“My father always believed STEM programs are crucial,” confides Lisa Gokongwei-Cheng, the patriarch’s daughter and GBF general manager. She confirms STEM-field programs get the lion’s share of the foundation’s resources.

“We must educate people to be scientists and engineers; that’s very important to industrialize a country.”

Being the largest shareholder of JG Summit, GBF finances its programs through the dividends of its shareholdings. With a 27-percent stake in the conglomerate, or half of the Gokongwei family’s total shareholdings, the foundation annually receives about P400 million to P500 million.

Since its incorporation, GBF counts 230 scholar graduates and launched seven scholarship programs. It is set to add 600 more scholars this year, and is building another facility for its GBF



‘You need to understand the problems of the society to decide which programs you want to fund.’

Lisa Gokongwei-Cheng
GBF General Manager

Technical Center to accommodate more students.

GBF will also allocate resources for its flagship project, the Iskolar ni Juan Tech-Voc Program. This technical-vocation scholarship fund will invest roughly P100,000 per student for the full subsidy of basic expenses, accommodation and allowances.

For all its successes, Gokongwei-Cheng admits that what’s needed doesn’t always suggest what works: “We’ve done a lot of GBF programs that weren’t effective, that we ended up killing off.”

These setbacks merely fuel the foundation’s determination to find the right programs. “You need to understand the problems of the society,” she declares, “to decide which programs you want to fund.”

DISCIPLINE AND A WORK ETHIC: THE MVP SPORTS FOUNDATION

For Manuel V. Pangilinan, chairman of the Manila Electric Co. (Meralco), sports participation carves a path to personal, professional, and national improvement. He began funding sports programs long before he created the MVP Sports Foundation (MVPSF) in 2011.

Its charter empowers the foundation to scout for and support talented athletes across the country, to enable them to train for and win in international competitions. MVPSF reaches out to far-flung rural areas to promote sports through funding, consultancy, and advisory services.

“Sports instill discipline and the value of hard work,” observes Alfredo S. Panlilio, MVPSF president and Meralco’s senior vice-president and head of Customer Retail Services and Corporate Communications. “Not everyone can be athletes, but they are excellent role models for the youth to strive to be better.”

MVPSF’s annual budget is directly funded by the companies headed by Pangilinan, such as Meralco, Smart, PLDT Inc., Maynilad Water Services Inc., Metro Pacific Investments Corp., Metro Pacific Hospital Group, Metro Pacific Tollways Corp., First Pacific Co. Ltd, and Philex Mining. In the last five years, MVPSF was mostly focused on select National Sports Associations (NSAs) programs.

“‘Goal’ was one of our original names for this foundation,” explains MVPSF executive director Patricia Hizon. “Our real goal is to help the Philippines win its first-ever Olympic gold medal.”

To foster a culture of winning, she adds, “We also choose sports that are closest to the hearts of our people, so that they may be inspired. These include basketball, boxing, football, badminton, golf, cycling, taekwondo, rugby and weight lifting: all potential Olympic gold medal-winning sports.”



‘Athletes are excellent role models for the youth to strive to be better.’

Alfredo S. Panlilio
MVPSF President

With close to a billion pesos already spent to help Philippine sports, MVPSF continues to look at other ways to help NSAs gain more podium finishes.

“We are looking at programs that can give us dominance at the 2019 Southeast Asian (SEA) Games, and help Team Philippines at the 2018 Asian Games and the 2020 Olympics in Tokyo, Japan,” Hizon elaborates.

Jubilant spectators at the 2013 International Basketball Federation (Fiba) Asia championship, the qualifier for the Fiba World Cup, certainly appreciated this lofty ambition. After 36 frustrating years, the Philippines was back on the global basketball court.

Just two years after the foundation was founded, Gilas Pilipinas, the men’s national basketball team and the top MVPSF beneficiary, won the silver. Although Iran won the gold that year, the Philippines’s runner-up finish bagged one of the slots



‘Our real goal is to help the Philippines win its first-ever Olympic gold medal!’

Patricia Hizon
MVPSF
Executive Director

from Asia for the Fiba World Cup in Spain in 2014. The foundation also helped the Batang Gilas team earn its qualification to the 2014 U16 Fiba World Cup, and the Perlas Pilipinas team its qualification to Fiba Level 1 Competition, the highest Fiba competition level for national teams. Meanwhile, MVPSF was awarded the PSA Philippine Sports Patron of the Year in 2014, the same year it helped increase player rankings for the national men’s doubles badminton team, from a ranking of number 290 in December 2013 to world number 71 a year later.

Its support for Philippine cycling turned 2015 into a banner year, helping the national cycling team rank fifth in Asia, at the UCI (Union Cycliste Internationale) World Cycling Championships.

MVPSF’s participation helped our golfers at the SEA Games bring home two gold medals in 2013 and a bronze this year. The local team won as the 2013 Putra Cup champions, its first since the last Philippine victory in 1996. Team Philippines also bagged the team and individual gold-medal finish at the World Junior Ladies’ Championships in Canada last year.

Boxing and taekwondo are two other sports that the foundation is trying to bring into the spotlight.

In taekwondo, the program sponsored 2016 Olympian Kristie Elaine Alora. The national team brought home a total of 13 gold, 13 silver and 16 bronze medals from the SEA Games for the years 2011 to 2017, and five bronze medals from the 2014 Asian Games. The bountiful taekwondo medal yield from Southeast Asian, Asian, and world-level tournaments is an impressive 492 since 2012. Boxing Olympians Mark Barriga in 2012, along with Rogan Ladon and Charly Suarez in 2016, enjoyed the patronage of MVPSF. Their fellow local boxers brought home 14 gold, 9 silver and 8 bronze SEA Games medals from 2011 to 2017, and one silver and three bronze medals at the 2014 Asian Games. The medal haul included one by Fil-Brit John Martin, whose performance stunned the opposition at the recent SEA Games.

Panlilio emphasizes the value of the pride and prestige that sports excellence brings: “Sports builds the image of a nation; when our athletes do well, it puts the Philippines on the world map.”



LEADING THROUGH LITERACY: THE NATIONAL BOOKSTORE FOUNDATION

National Book Store, the country's largest books and stationery supplies retailer, created the National Book Store Foundation (NBSFI) in 2004 to "uplift the lives of underprivileged children, through education empowerment," according to Alexandra Ramos-Padilla, managing director of National Book Store, Inc.

The foundation runs two primary programs, Project Aral (study) and Project Aklat (book), which provide books and school supplies to underprivileged students in different parts of the country. It also funds the Buklat Aklat (Open Book) Leave-Behind Library, which refurbishes libraries and donates books and furniture to schools.

After it built 88 libraries and distributed books and school supplies to more than a million students, the NBSFI plans to support an additional one million school children and open more libraries. The foundation also seeks to add more training programs on reading and literacy.

Ramos-Padilla relates the NBSFI had to end lending its mobile libraries to public schools under the Buklat Aklat Program. "It was a help, but it wasn't high-impact," she concedes.

She is more pleased with the outcome of Project Aral, which follows a different funding model. This involves direct customer participation through donations of P25 to provide students in remote communities with study kits.

"Aside from what customers donate," Ramos-Padilla clarifies, "we also allot a part of our budget."

Begun in 2009, Project Aral has produced more than a million study kits, with two kits given to each child every school year. Its success, however, reveals the true influence CSR programs can have on the public's imagination and on their emotions.

"Many patrons were asking how they can help," Ramos-Padilla proudly shares, "so we came up with a simple, direct way to do it."



'We want to uplift underprivileged children through education empowerment.'

Alexandra Ramos-Padilla
National Book Store, Inc.
Managing Director



Conducting Monetary Policy

BY SHEILA SAMONTE-PESAYCO

The Bangko Sentral ng Pilipinas takes new direction from an old hand

Ask Nestor A. Espenilla Jr. what made him devote his entire career to the public sector, and he refers to the advice of his Ateneo de Manila High School drama teacher, Onofre Pagsanghan.

"Why sell soap?" he quotes. "Sure, you make money on it, but what is your soap's impact on society? You have better soap, but what lives have been changed?"

That proposition led Espenilla to a life at the Bangko Sentral ng Pilipinas (BSP).

On July 2, 2017, he took the conductor's baton from Amando Tetangco Jr., who stepped down after 12 years, two consecutive terms, as the country's central bank chief.

As the new governor of the monetary system, "Nesting" Espenilla vows his six-year term at the BSP will be based on "continuity plus-plus." He will continue to weave harmony with a steady hand, much like his predecessor. Under Tetangco, the BSP protected the integrity of the financial system against criminal

'Never quite believe that everything will be okay. Always be ready for the turn. That's where experience helps to manage the possible downside.'

Nestor A. Espenilla Jr.
BSP Governor

elements, sustained the country's economic momentum, kept investors from fleeing, and prevented the peso from sinking to record lows amid political noise and external turmoil.

However, Espenilla also deals with a rapidly changing cast of characters, and is determined to make working for the system feel like a joyful, collaborative experience.

"Central banking is not easy," he admits. "It's not a question of looking for the bad guys and imposing a fine." In the "adult-style supervision" Espenilla espouses, the players choose their own game plan but must know the repercussions of straying from it. "They must understand those risks," he explains, "and know how to get out when trouble ensues."

The regulatory approach, he continues, is purposefully principles-based. "We're not going to catch you; you should manage yourself, and we'll evaluate whether you are managing yourself or not."

In the hot seat

Espenilla had barely warmed his seat this year as BSP chief and concurrent chairman of the Anti-Money Laundering Council

(AMLC) when a series of scandals struck. A senior official of the Metropolitan Bank and Trust Co. (Metrobank) was arrested, charged with funneling millions of pesos in loans into a fictitious corporate account. Weeks earlier, alleged computer glitches and card skimming hit two of the country's largest lenders, Bank of the Philippine Islands and BDO Unibank Inc., while Security Bank experienced delayed postings of account credits.

Espenilla says these incidents were driven by different reasons and only magnified under the lens of the news media. "Media never covers the millions of transactions happening day in and day out, because there's no conflict and no controversy," he shrugs. "There are a million things that did not happen, then three things happen and that's news. We should be surprised if everything runs perfectly."

These events pale in contrast to others the new BSP boss has seen in his eventful 36-year career in the central bank.

Trials and tumult

Espenilla joined the old Central Bank of the Philippines (CBP) right after graduating magna cum laude from the University of the Philippines (UP) in Business and Economics. It was 1981, a tumultuous time in the CBP's history, when businessman Dewey Dee fled the country and an estimated P700 million in debt. The CBP and other government-owned financial institutions had to provide emergency loans to some 80 companies.

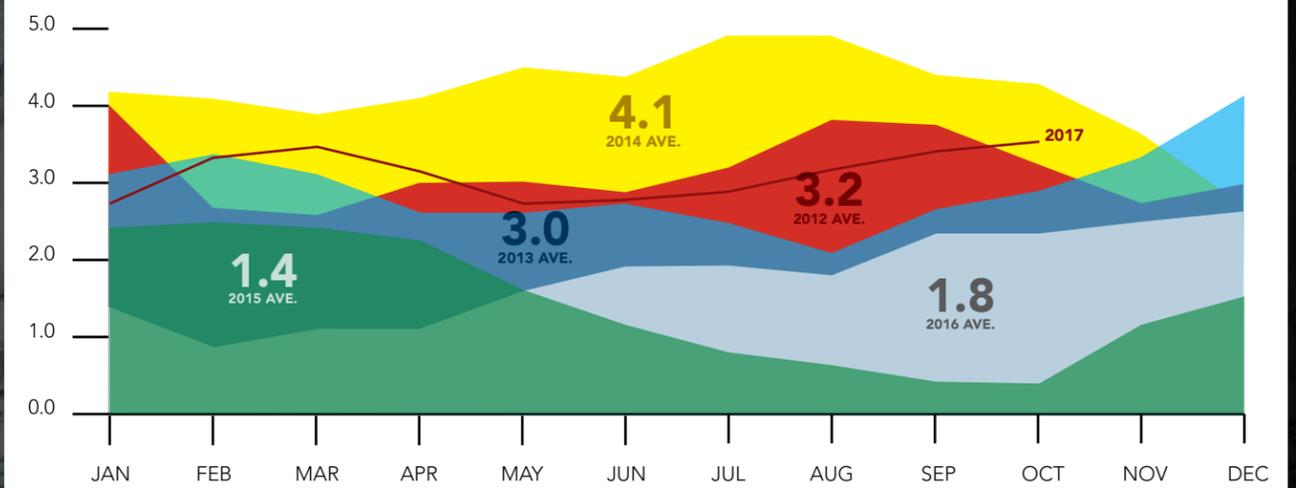
Years later, the assassination of Senator Benigno "Ninoy" Aquino Jr. in 1983 and the Latin American debt crisis from 1982 to 1985 forced the Philippines to declare a crippling moratorium on debt payments.

In 1984, CBP Governor Jose "Jobo" Fernandez issued "Jobo bills" at interest rates exceeding 40 percent to arrest spiraling inflation. "There was a lot of pain," Espenilla

'The future of the financial system lies in going digital and using it to achieve financial inclusion. We're too fragmented geographically to reach out using traditional means. Digital technology provides such a chance.'

YEAR-ON-YEAR INFLATION RATES IN THE PHILIPPINES, ALL ITEMS

JANUARY 2012 - OCTOBER 2017 (IN PERCENT)



recalls, because the recession left Filipinos mired in debt.

These upheavals did not dissuade him from aiming for the top job. Along the way, Espenilla finished his master's degree in Business Administration at UP with honors, followed by a master's degree in Policy Science from the Graduate Institute of Policy Science in Tokyo.

As he rose through the ranks, he went through almost all the key departments in the central bank—from economic research and management of external debt to international operations. At one point, there was a highly lucrative offer to join the International Monetary Fund (IMF), but "I gave it less than a day's thought," he confesses. "I saw my future here at the BSP"

Be ready for the turn

In the first few years of the Fidel V. Ramos administration, starting in 1992, the country entered a period of economic boom and relative political calm. With proper debt management, and quick policy action on interest rates, the economy survived the Asian financial crisis of 1997-1998.

By 2000, a bullish sentiment in the global economy fostered a sense of invincibility. "Banking hotshots came in when everything was good," Espenilla recounts. "They've never seen the downside, and it was easy to give credit loosely." The United States and other major economies experienced a surge in subprime lending and in complex financial products. This irrational ebullience led to the global financial crisis of 2007.

His ringside seat to the ups and downs of the Philippine economy over the decades taught Espenilla to always be ready for the dramatic twist. "When everything is going nicely," he cautions, "never believe that everything will be okay. Always be

ready for the turn. That's where experience helps to manage the possible downside."

His mindset prepared him for the US\$81-million bank heist, where the Bangladesh central bank funds entered and leaked out of the Philippine banking system. The P1-billion fine on the Yuchengco-led Rizal Commercial Banking Corp. is, to date, the biggest in the BSP's history. The incident also pushed Espenilla, then Deputy Governor and head of the Supervision and Examination Sector, into the national spotlight.

The 'plus-plus'

As banks and businesses cheered the continuity guaranteed by Espenilla's leadership, others are also on the lookout for the "plus-plus" factor he had promised when he took on the job.

Espenilla expressed optimism at the 6th Annual dbAccess Philippines Conference last October, as part of Deutsche Bank's annual conferences on global financial services.

"We are often asked why we have not yet raised policy rates, given that inflation is trending higher this year, and also given the signaling of monetary policy normalization in the advanced economies," he says in his keynote speech. "Based on latest estimates by the BSP, average annual inflation in 2017 to 2019 will settle at around 3.2 percent, just above the mid-point of the target band of 2 to 4 percent. This within-target inflation outlook essentially drives our policy decision. The independent inflation forecasts of the IMF and the private sector are also broadly in line with our own estimates."

He adds that the combination of high growth and low inflation "will likely be sustained on the back of the

economy's rising productive capacity and prudent conduct of monetary and fiscal policy."

Government and BSP economists project an increase in economic growth, in terms of gross domestic product, between 6.5 and 7.5 percent for 2017, from an average of 6.8 percent in 2016. Growth is also targeted to accelerate between 7 and 8 percent from 2018 to 2022. "We believe these targets are attainable," stresses Espenilla, "given strong macroeconomic fundamentals." These include rising government spending on critical infrastructure; human capital development; increasing private sector investments; and strong domestic consumption due to the rising incomes of a young and educated workforce.

Financial inclusion

For the banking sector, two programs closest to Espenilla's heart are digitization and financial inclusion.

Although not a digital native, he grasps the strategic implications of technology. "The future of the financial system lies in going digital and using it to achieve financial inclusion," he declares. "We're too fragmented geographically to reach out using traditional means; we have to approach it from a different perspective. Digital technology provides such a chance."

The Philippines's solid banking system, he maintains, primarily serves the National Capital Region, the urban

areas and major cities. "Large parts of the country are still unbanked, or under-banked," he states. Harnessing digital technology, Espenilla hopes, will enable Filipinos all over the country to access the full range of financial services.

Surveys show that only one percent of retail transactions in the country are electronic; the rest are in cash and paper-based checks. "We want to move that dial to at least 20 percent by 2020," the governor states.

To use technology to make transactions more efficient among and between banks, the BSP also recently launched the National Retail Payment System and the Check Image Clearing System. The benefits also extend to other entities that provide financial or payment services, including mobile phone, transport, and financial-technology (or fintech) companies.

The BSP also wants to harness Big Data to incorporate all Filipinos into the formal financial system. "Only one-third of adults in the country hold a bank account," Espenilla reveals, "but by 2020, we want everyone to have an account."

The BSP chief is determined to pull it off by championing the role of the Credit Information Corp. (CIC). The law has long mandated all credit providers, from banks to telecoms and utilities, to push their credit information to the CIC. The database will serve to allow borrowers, particularly small and medium enterprises, to access credit

The 2017-2019 average annual inflation rate is forecast to settle at

3.2%

within the target band of 2 to 4 percent.



more efficiently.

Also a work in progress is the establishment of a digital national identification system, which will help millions of Filipinos lacking a valid government-issued ID gain access to banking and financial services.

The government plans to distribute a national ID to 105 million Filipinos by 2020. Several bills are pending in Congress, but Espenilla suggests the administration might consider an executive order to build a foundation. For its part, the BSP is reviewing successful national ID systems, such as the Indian system based on biometrics.

Intelligent banking

However technology may change the game, the governor is determined that the BSP will not be left behind. "The vigilance is constant, and we are upping our game," he affirms. "We have specialists and bank supervisors who understand the technology, speak the language and cut through the jargon. Our money-laundering specialists understand the complexity of these transactions. So we are also building a full complement of specialist competencies."

These, and the relaxation of the Secrecy Law on Bank Deposits, he says, should lead to improved regulation of the financial system, at a time when volatility in the world of finance is being touted as the new normal.

For Espenilla, the times are both challenging and exciting: "I'm actually looking at it as an opportunity to introduce major financial-sector reforms."

When his stint at the BSP comes to a close, Espenilla hopes to count the small entrepreneurs and the millions of formerly unbanked and underserved Filipinos among those giving him a standing ovation. 🙌

CURRENT & CURRENCY



Anastasio Caedo, *bust portrait of Florencia Caedo*, 1937, Carrara marble. BSP Artwork Collection.

Because the economy never sleeps, keeping the BSP Main Complex in Manila humming 24/7 is a task that keeps the Manila Electric Co. (Meralco) on its toes.

Following a review of the complex's electrical design, Meralco recommended the installation of additional electric poles and the replacement of outdated load-break switches with the correct rating. The complex downsized its overall contracted capacity as suggested, and saves the BSP about half a million pesos monthly.

Meralco also played a key role in the completion of the new BSP Mint Plant, set up in an annex building at the BSP parking lot in Quezon City. The new facility uses state-of-the-art equipment to produce new coins and bank notes with enhanced security features.

Meralco assisted in the design review and installation of a 4-megavolt-ampere power line. "Thanks to Meralco," says Governor Espenilla, "we were able to inaugurate the new mint last June 2017."

While steadfastly focused on the financial system, the BSP also keeps an eye on the nation's legacy. Presently, the BSP Main Complex hosts two museums: the Museo ng Bangko Sentral ng Pilipinas, also known as the Money Museum, which it operates; and the Metropolitan Museum of Manila, administered by the Metro Manila Museum Foundation.

"In many countries, central banks are recognized as art patrons," Espenilla states. "They are often among the richest repositories of artwork." He refers to the BSP's Philippine heritage collection, including paintings from the 18th century to the present, pre-Hispanic gold and pottery, and a noteworthy numismatic collection.

However, the Money Museum's collection has long outgrown the available display space. This prompted the BSP to construct a new museum at the Philippine International Convention Center (PICC), which it administers. Begun in 2016, the new museum will be completed in 2018 and is scheduled to open by 2019.

To help the museum adhere to this timeline, Meralco works closely with the BSP and its contractors to provide technical consultation and rapid energization.

"Meralco's assistance means we can look forward to meeting our opening date," Espenilla declares, "so we can share our rich heritage with the Filipino people."

Inset: the *Piloncito*, the first recognized form of coinage in the Philippines during the pre-Spanish colonial period, 10th to 13th century AD. BSP Pre-Colonial Gold Collection.



Abdul Mari Imao, *Sabungero*, 1976, welded brass. BSP Artwork Collection.

Felix Resurreccion Hidalgo, *Las Virgenes Cristianas Expuestas Al Populacho*, 1884, oil on canvas, 115 x 157cm. BSP Artwork Collection.

GOING Big IN Microelectronics

Shop around for a new laptop or smartphone, and you'll see that the manufacturer's specifications often include the brand name of the central processor chip. The rest of the components – the capacitors and chip inductors, for example – are never mentioned.

Yet no digital device can function without these other elements. Capacitors store packets of energy to regulate power whenever a device or operation needs it. Chip inductors allow electronic devices to transmit and receive radio-frequency signals with other devices.

These are among the products made by Samsung Electro-Mechanics Philippines Corp. (Semphil). These components find their way into all kinds of devices, even those not carrying the Samsung brand.

"The majority of our products are exported to Asia and parts of Europe and America," shares Semphil President Sang Hyuk Kim. The firm's buyers are "mostly in the fields of information technology and automation, as well as top global frontier electronics companies."



Samsung turns to the Philippines with Semphil, giving a boost to cutting-edge technologies

BY MC SANTOS

A future in the Philippines

Semphil traces its roots to 1997, when 14 Filipino engineers went to South Korea to train. "In the mid-1990s, Samsung was considering large-scale expansion through building overseas factories," recalls Kim. "After investigating some candidate sites, we decided to invest here in the Philippines."

Samsung was attracted to the business-friendly policies of the Philippine government, he explains, as well as to the abundance of good, quality labor to support future business expansions.

The company's 4,500-strong workforce today consists mainly of operators, technicians, and engineers. Nearly all are Filipino, says Kim, with "only a few Korean nationals, including myself."

He adds: "Filipinos are known globally for being hospitable and hard-working. These traits enable them to strive for excellence. Their knowledge in the industrial and manufacturing fields will help investors in the Philippines aid their growth."

According to the Semiconductor and Electronics Industries in



'Filipinos are known globally for being hospitable and hard-working. These traits enable them to strive for excellence.'

Sang Hyuk Kim
Semphil President

the Philippines Inc. (Seipi), the Philippines's electronics exports in 2016 amounted to US\$28.6 billion (P1.41 trillion). It remains the country's top export, and accounted for 51.3 percent of total dollar earnings from

exports in December 2016.

In the first quarter of 2017, electronics exports jumped 15.3 percent to some US\$7.64 billion (P382 billion), data from the Philippine Statistics Authority showed. Of the total electronics exports, semiconductor shipments accounted for some 71 percent at US\$5.4 billion (P270 billion). Exports of semiconductors grew by 16.3 percent in the first quarter of the year.

Seipi has expressed optimism that the industry would likely reach its US\$30-billion (P1.5-trillion) export target for 2017, as its major buyers further upgrade their technology and move towards more automation.

Stable power for precision and expansion

Over at Semphil, mass production began in earnest in 2000, and in November 2011, the company inaugurated its manufacturing complex located in Calamba, Laguna.

The Calamba facility occupies roughly 18 hectares and consists of two manufacturing plants and five production factories. Since the plant runs 24 hours a day, 7 days a week, a stable and consistent power supply is crucial.

To keep pace with fast-changing global demand and technology, Kim insists Semphil must strive for global excellence and pioneering innovations. This is where its partnership with the Manila Electric Co. (Meralco) is critical.

Established by Meralco, the Calamba Premiere Industrial Park substation was commissioned in December 2016 to serve the power requirements that come with Semphil's expansion plans. It was updated to 83 megavolt-amperes (MVA) on top of the existing 50 MVA. While primarily serving Semphil, the substation also services other locators within the industrial park.

"Because of Meralco's valuable support for our innovative changes and reforms," Kim predicts, "we are assured of realizing our goals and directing our achievements toward a smarter future." One such aim, he discloses, is for the company to become "a global top manufacturer of electronic components, in the field of passive components."

With millions of its products already installed in all kinds of devices worldwide – the smartphone in your pocket, the laptop on your desk, and the navigation system in your car – Semphil draws even closer to its goals for market domination. 🚀



'The bidding process means lower rates for consumers. Since January 2017, Pelco II rates are lower by P1 compared to those of our neighboring DUs.'

Nestor P. Sarmiento
Pelco II Chief Management Advisor

SPECIAL FEATURE

and in San Fernando. Under different administrations, important access infrastructures were developed: the extension and widening of the North Luzon Expressway, the Subic-Clark-Tarlac Expressway, and the new Jose Abad Santos Avenue (formerly the Olongapo-Gapan Road). Commercial establishments mushroomed in the surrounding areas.

The Sandbox, an adventure-sports destination within Ayala Land Inc.'s property in Porac, was built from all that alluvial ash fall as a testimony to the commercial progress of the area.

Pelco II was tasked to supply all the enterprises in the province with reliable power.

Overextended, underfunded

"Our mandate was rural electrification," declares Pelco II Chief Management Advisor, Nestor P. Sarmiento.

The non-stock, nonprofit organization started out as part of then Eastern Pampanga Electric Cooperative under

"Pelco II facilities are overextended, serving customers even in remote areas," laments Sarmiento. "Unlike investor-owned distribution utilities (DUs), we have no profit margins imputed in the rates."

In 2013, Pelco II entered an Investment Management Contract (IMC) under the Private Sector Participation provision of Republic Act 10531, or the NEA Reform Act of 2013. Comstech Integration Alliance Inc. (Comstech) won the bid with the Manila Electric Co. (Meralco) as its technical partner.

To comply with IMC provisions, Sarmiento, Comstech's chief operating officer, assumed his current role at Pelco II in 2014. Comstech also appointed the chief financial officer and the administrative head, but Pelco II remains a cooperative.

Made more efficient and reliable

The tie-up with Comstech enabled the co-op to power 163,738 residential customers; 6,642 commercial customers; 348 industrial clients; 88 irrigation systems; 1,309 public buildings; and 16,251 street lights.

To make bills payment more convenient, the co-op partnered with Bayad Center (a Meralco subsidiary), the 7-11 convenience-store chain, and SM malls. Within the Pelco II area, Bayad Centers are present at Puregold Dau, LBC Poblacion, and Jumbo Jenra Mall, all in Mabalacat; and at (Western Union) USSC Lubao, and at LBC Guagua and Sta. Cruz-Lubao.

Sarmiento claims the co-op benchmarks and seeks to replicate the best practices of Meralco, and apply these "to recruitment, training, financial management, planning, and budgeting."

It will invest in more vehicles and equipment, and acquire a Geographic Information System and a Financial Management System.

Upcoming substations in Bacolor and Mabalacat will feature technologically advanced supervisory control and data acquisition (Scada) control systems. Scada controls the field devices necessary for the continuous flow of electricity to all customers, which improves service efficiency, power reliability and system-loss reductions.

These upgrades make Pelco II more attractive for investments, and better placed to acquire funding. It is

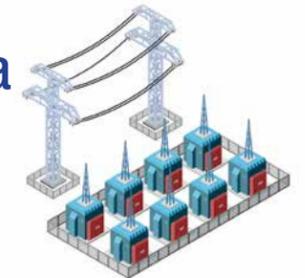
now able to enter into PSAs through the Competitive Selection Process. "The bidding process means lower rates for consumers," explains Sarmiento. "Since January 2017, Pelco II rates are lower by P1 compared to those of our neighboring DUs."

Sarmiento admits Pelco II urgently needs to secure the approval for its capital-expenditure projects between 2017 and 2019 from the Energy Regulatory Commission. "We are still far from our goal, but we will get there," he promises.

Yet things are already looking very bright for this part of Central Luzon and its half-a-million residents.

This region, which celebrates festivals honoring patron saints and bountiful harvests, adventure sports and hot-air ballooning, quite literally rises from the volcanic ash. It soars to new economic heights with the latest advances in technology, with the help of Pelco II. 🚀

Comparative data from before and after Pelco II's Comstech tie-up



	2013	2016
NUMBER OF CUSTOMERS	161,000	185,000
SALES	326GWh	421 GWh
PEAK DEMAND	61 MW	87 MW
AVERAGE SYSTEM LOSS	13.1 %	11.15%
AVERAGE COLLECTION EFFICIENCY	90.5%	95.4%
AVERAGE COLLECTION PERIOD	64 days	41 days
SYSTEM AVERAGE INTERRUPTION FREQUENCY INDEX (SAIFI)	16.87 times	4.70 times
SYSTEM AVERAGE INTERRUPTION DURATION INDEX (SAIDI)	29.36 minutes	2.5 minutes
NEA CATEGORY PERFORMANCE RATING	B	A

Lending New Vigor to a Cooperative

BY MC SANTOS

Meralco partners with Comstech to keep a rejuvenated Pampanga forging ahead

The rolling hills and coastal areas of Central Luzon lie open to strong rains that can wreak havoc on low-lying communities and forests. In Pampanga, the Mount Pinatubo eruption in 1991 scarred the landscape and still lines its waterways and dikes with lahar sand.

These conditions make it a challenge to deliver electricity to the central, western and southern towns of the province, especially for Pampanga II Electric Cooperative (Pelco II).

The co-op witnessed the province bounce back, with businesses setting up at the Clark Special Economic Zone

the auspices of the National Electrification Administration (NEA). It became the Pampanga Electric Cooperative, until in 1979 it split into Pelco I and Pelco II; a later offshoot established Pelco III.

Based in San Roque, Guagua, Pampanga, Pelco II serves the Guagua, Sasmuan, Sta. Rita, Bacolor, Porac, and Lubao municipalities, and Mabalacat City.

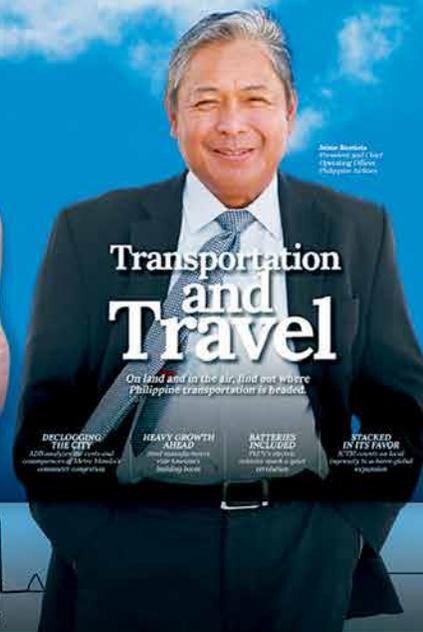
Without a rate increase since 2011, Pelco II was hamstrung by limited capital. They were unable to expand and address their customers' growing requirements, nor secure long-term power supply contracts (PSAs) from wary generation companies.

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