

POWER CLUB

A MERALCO PUBLICATION | OCTOBER 2013

INDUSTRY TRENDS

INT'L FOOD
CHAINS MAKE
A PLAY FOR
LOCAL DINERS

ANALYSIS

ARE STOCKS THE
PLACE TO PLAY?

BAYAD CENTER

BRINGS
TOGETHER
CONVENIENCE
AND BUSINESS
OPPORTUNITY

FINANCE SEC.
CESAR PURISIMA

BANGKO SENTRAL GOV.
AMANDO TETANGCO JR.

PUTTING THE RIGHT PIECES TOGETHER

STEERING THE ECONOMY TO FURTHER GROWTH

UPBEAT AND UP-TO-DATE

We entered the last quarter of 2013 upbeat about the business scenario. Positive GDP forecasts for the year, coupled with favorable marks from international rating agencies - both for the country and your service provider Meralco - augur better things to come. But first, we need to help make things happen.

In recent years, Meralco has diversified, becoming a multifaceted power player which reflects the maturing needs of customers. From the confines of electricity distribution, the company has pursued a variety of projects and programs that include generated power, energy service offerings for different customer segments, and environmental advocacies.

Our foray into Smart Grid (electric distribution network automation and smart metering), is a reflection of our vigorous and relentless spirit of innovation. This spirit is also evident in the launch of the first Meralco eVehicle Charging Station last July. Serving both as a proof of concept and as a technical pilot for regular, fast and renewable charging technologies, the charging station secures Meralco's position as a prime-mover in the electric vehicle industry. It likewise demonstrates our commitment to the country's vision of a low-carbon future, while supporting the government's energy reform agenda: energy security, optimal energy pricing, and sustainable energy program.

At the charging station launch, we were also excited to unveil the very first Tesla Model S brought into the Philippines. A purely electric car, the Model S can travel up to 480 kilometers on a single charge - enough to go from Manila to Bicol, or even Manila to Baguio. Coupled with our vision of deploying charging stations throughout our franchise areas, we hope that cars like the Model S will encourage Filipinos to seriously consider EVs of every kind - eTrikes, eJeeps, eTaxis, eCars and even eBuses - without worrying about "range anxiety".

From there, we're prepared to go even further, by sharing Meralco-designed charging equipment technology with those interested in providing wider commercial charging facilities. We will link up with manufacturers and the academe who share our advocacy and drive for building a local manufacturing capability for eVehicles.

Our "innovation DNA" is generating many more projects, which shall be revealed in due time. But we cannot accomplish any of them by ourselves; for the whole country to advance and prosper, we must always have healthy and progressive collaboration among businesses.



Panlilio received the CEO Excel Award for 2013 from the International Association of Business Communicators (IABC) Philippines. The awards, which were given out last July 25 at the InterContinental Hotel in Makati City, recognize distinguished Philippine leaders who demonstrate excellence in using communication as a business strategy.



Alfredo S. Panlilio

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

OPTIMISTIC, BUT...

This issue, we are privileged to feature Bangko Sentral Gov. Amando Tetangco Jr. and Finance Sec. Cesar Purisima, who are deeply involved in steering the Philippines toward economic prosperity and stability.

Thanks in part to their efforts in pushing monetary policies that promote growth but contain inflation, as well as adopting stronger financial regulations to raise government revenues, the economy is set to continue its stellar performance. But nothing is assured, especially if needed reforms are not implemented soon enough.

A strong economy must be more than impressive numbers. Despite the attention the country has received from international investors, reforms must focus financial and economic support on much-neglected industries such as manufacturing and agriculture.

This isn't just about boosting output or capacity; it's about creating jobs especially for the unskilled workers who compose the majority of the poor and unemployed. No matter how rosy the growth projections are, these mean little to the nearly 80 percent of Filipinos living below the poverty line.

The task of keeping the economy going isn't just the government's; the private sector, including the general public, must each engage with each other in a cohesive strategy. And because a vibrant economy cannot exist without reliable and ample power, we at the Manila Electric Co. (Meralco) recognize that we too play a vital role in the country's present, and its future.

This is why Meralco must constantly stay ahead of the game and evolve far beyond being just a utility company. We strive to better understand the needs of each customer - home and microbusiness, small and medium enterprises, and the corporations - so we can customize our services and solutions accordingly, to reduce operating costs and improve their efficiencies.

Above all, we seek to give all our customers every competitive advantage, for when they prosper, we do too, and so does the rest of the Philippines.



Victor S. Genuino

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



MERALCO POWER CLUB MAGAZINE

VOLUME 3 ISSUE 3

PUBLISHER: SUMMIT MEDIA

A joint project with Meralco's Corporate Business Group, Marketing and Customer Solutions and Innovations, Corporate Communications

Published four times a year for key officers of Meralco corporate accounts

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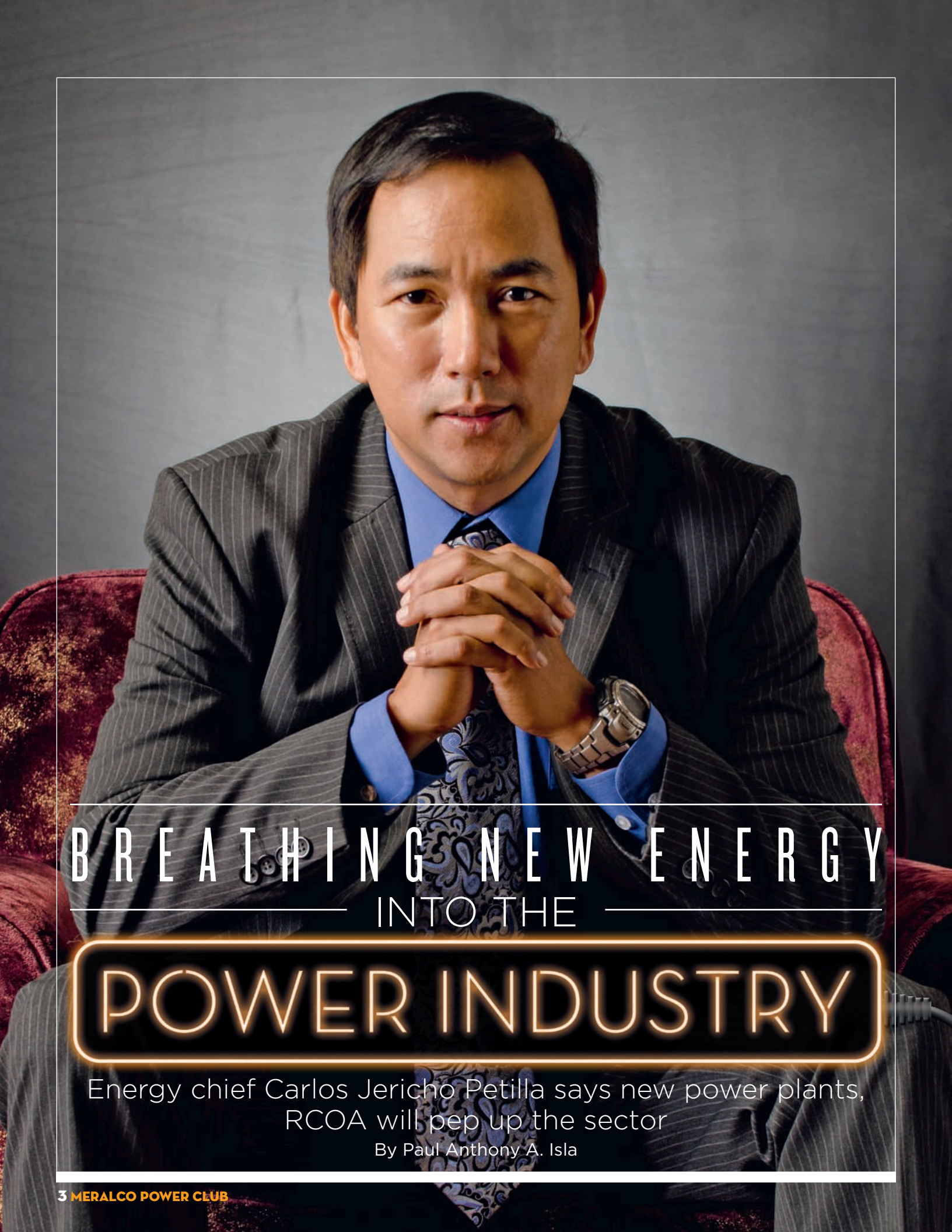
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THE FIRST STILL DOES IT BEST

Bayad Center created the outsourced-payments business model, but it's not stopping there.



A portrait of Carlos Jericho Petilla, an Asian man with dark hair, wearing a dark pinstriped suit, a blue shirt, and a patterned tie. He is sitting in a red velvet chair with his hands clasped in front of him. A silver watch is visible on his left wrist. The background is a dark, textured grey.

BREATHING NEW ENERGY — INTO THE — POWER INDUSTRY

Energy chief Carlos Jericho Petilla says new power plants,
RCOA will pep up the sector

By Paul Anthony A. Isla

CARLOS Jericho L. Petilla may be new to the energy sector, but the former Leyte governor who graduated with a Management Engineering degree from the Ateneo de Manila University is no stranger to power – political or electrical.

Armed with the three policy directions established during this Administration (energy security, optimal energy pricing, and energy sustainability), Secretary Petilla injected his own brand of management while maintaining the core goals of the Department of Energy, to address pressing issues on power, oil, and other energy concerns.

On top of the lingering perception that local power and fuel costs in the Philippines are very high, Petilla candidly admits that issues of openness and honest management are the key challenges he needs to address.

“Our focus on transparency and good governance in the energy sector is key to depoliticizing these issues. Giving more information to the public reduces the opportunity for politicizing the oil and energy price movements,” he adds.

Banking on his more than two decades of experience and expertise in the information technology industry, Petilla quickly introduced websites like www.kuryente.org.ph and wattmatters.org.ph. These sites provide business and household consumers with information on a wide range of energy topics, addressing questions on how power is generated, how it is priced and distributed, and how to choose the most energy-efficient appliances.

“The energy industry is a complex industry, and by making it accessible through technology and simplifying it, we can make people comprehend it, and at the same time we are being transparent and we are empowering our consumers,” he says.

A PLAN THAT WON'T SIT STILL

Petilla reveals that, although there is an industry-wide vision for the coming years as embodied in the Philippine Energy Plan (PEP), “the energy industry is a dynamic industry and that shifting of energy priorities will have to depend on the scenarios that will happen and how stakeholders and investments will shape out in the process.”

The PEP seeks fundamental changes to the way power is produced, managed, distributed, used, priced and paid for. At the far end of the spectrum is establishing energy security, through the expanded use of renewable energy and by accelerating the exploration of petroleum and coal. To update the distribution infrastructure and providing measures to make power prices reasonable, a mix of policies like Retail Competition and Open Access (RCOA), and technologies like Smart Grid are being pushed (see “Roadmap to Innovation”, page 8). The involvement of the private sector is clearly vital, as the plan also promotes energy sector investment.

The PEP, through the Philippine Energy Efficiency Program, also seeks to reduce overall demand for power by promoting energy efficiency as a way of life, for both households and businesses alike. It likewise takes a stand on environmental issues, including green energy, low-carbon impact and climate proofing the energy sector.

The National Renewable Energy Program (NREP), focusing on developing indigenous and sustainable energy resources, has created

projects like the 20-megawatt (MW) Maibarara Geothermal Power Plant in Batangas, which is expected to come on line later this year.

But what about present – and pressing – energy needs?

Petilla assures the sufficiency of supply in the Luzon and Visayas grids through 2015.

“The commissioning of the 600-MW GN Power Ltd. Co.’s coal-fired plant in Mariveles, Bataan, targeted in May 2013, will provide additional base-load power in the Luzon grid. In the Visayas, the 610-MW coal-fired power plant commissioned in 2011 provides a significant increase of the supply in the region.”

In Mindanao, Petilla admits, the supply is just enough to meet the demand. The system still lacks the reserve power it needs to provide grid stability and any breakdown or shutdown of a large power plant could cause disruptions throughout the island.

He quickly adds that a total of 588-MW committed power projects are expected to enhance the Mindanao grid’s capacity. However, this increased capacity will not be available until the second quarter of 2014.

These projects include Therma South, which is expected to provide 300 MW in the second quarter of 2014, and Sarangani Energy Corp., which will add 200 MW in 2015.

DIRECT ELECTRICITY PURCHASES

Republic Act 9136, also known as the Electric Power Industry Reform Act of 2001 (EPIRA) seeks to reduce electricity rates, improve power generation and distribution, and encourage greater competition in the electricity industry.

Among its provisions is the RCOA scheme, which is already in the early stages of implementation. In brief, Petilla describes RCOA as a form of retail competition, where contestable customers (those who consume at least 1 MW per month) can get better prices by buying electricity directly from competing retail suppliers or from the wholesale market.

“We have to understand that power is just like any other commodity – water, your cable television, or telephone – and producing power entails cost like these commodities. In terms of the rates for Retail Electricity Suppliers (RES), it will all depend on the negotiation of power bilateral contracts between parties,” he says.

Petilla adds that the DOE, along with other agencies, has prepared stakeholders for the RCOA through a series of information, education, and communication forums, as well as focus-group discussions with contestable customers, and training for RES.

Since it’s a new concept, he quickly makes it clear that there is a need for government to implement a gradual transformation, as the law provides that RCOA will start with big customers with a consumption of 1 MW, and that the threshold for the contestable market shall be reduced to 750 kilowatts two years after.

Petilla says the concept will eventually reach the household level, when the technologies in place are mature enough for an expanded retail power market. “In the meantime, consumers, such as households, would not be affected by the RCOA and they will still be protected, as ensured by the DOE.”

The wholesale electricity spot market (WESM), on the other hand, will continue to provide additional power supply to augment their contracted supply. Any imbalances in the purchasing of power will be sourced from WESM.

Implemented last June 26, the Retail Competitions and Open Access (RCOA) scheme has already had a few early adopters. Here are HGST Philippines Facilities Director Melchor Morales, and Mackay Industrial Corp. Sales Manager Jenkins Chua, sharing their experiences:

ON WHAT RCOA MEANS TO THEIR BUSINESS:

“It is important for the company to keep abreast of the current energy regulatory requirements, or any changes thereof, and be able to respond to it on time. HGST Philippines hopes that the RCOA implementation will result in a stable power supply at reasonable cost to the business.”

- Morales, HGST Philippines

ON THE CHALLENGES OF THEIR COMPANY’S TRANSITION OR IMPLEMENTATION OF RCOA:

“It was difficult because of rate comparisons, charges, documentation and having few RES to choose from.”

- Chua, Mackay Industrial

HOW RCOA WILL BENEFIT THEIR CUSTOMERS:

“Hopefully, the improvement in the quality of electricity supply in the market will improve HGST’s overall cost performance and reduce our electricity bill, thereby benefiting our customers through improved products and lower prices.”

- Morales, HGST Philippines

ON CHOOSING THE BEST RES:

“We opted to stay with our current supplier (Meralco), hoping that it can give us transparency and the best rates possible.”

- Chua, Mackay Industrial

While many have champed at the slow progress of the EPIRA, the programs already underway are a sign that change is in the air, change that Petilla is confident will make a difference. “RCOA will improve the efficiency of electric power service since there will be competition among players. It envisions that the country will have reasonably-priced power.”





KEEPING the FAITH

Bourse chief Hans Sicat and broker Conrado Bate remain cautiously bullish in the stock market

By Neil Jerome Morales

Coming from a record performance in 2012, the Philippine stock market started this year all rosy and strong as a raging bull - that is, until the bull run hit the US Federal Reserve's roadblock which threatened an end to its easy money policy. Investor confidence and bank accounts were hurt by a hefty pullback in share prices.

Anxious local and foreign investors are now looking for answers to one question: is the Philippine stock market still a good investment opportunity?

"Yes," say two of the country's leading stock market managers, given the strong fundamentals of the local economy. But this time around, investors need to exercise more care and due diligence as the local stock market is no longer a quick moneymaking vehicle.

FREAKED BY THE FED

"There's no reason for investors not come into the stock market. They have every reason to come in," says Philippine Stock Exchange (PSE) president and chief executive Hans Sicat.

"Stocks will continue to be the asset class of choice," echoes Conrado Bate, president and chief executive of leading online stockbroker COL Financial Group Inc.

All started well for the bellwether PSE index (PSEi), which continued the momentum of 2012. Last year, the PSEi posted 38 all-time highs, surging by 33 percent, and making it the second best performing benchmark index in Asia.

In the first half of 2013, total value turnover rose by 48.2 percent to P1.4 trillion from P947.73 billion a year ago. This translates to an average daily value turnover of P11.51 billion



"There's no reason for investors not come into the stock market. They have every reason to come in."

HANS SICAT

PRESIDENT AND CHIEF EXECUTIVE
PHILIPPINE STOCK EXCHANGE

from P764 billion in the same period last year, PSE data showed.

However, investors soon woke up to the stark reminder that stocks can also retreat, no matter how rosy the prospects are. In May, the Fed signaled that it could start tapering off its stimulus program in September if US jobs and economic data continue to improve.

"The sharp correction came in with the announcement that the Fed would be reducing its bond purchases, therefore reducing the liquidity in the system," Bate says. The Fed's \$85-billion monthly bond purchase has been flooding financial markets with easy money.

Prospects of higher interest rates in developed markets encouraged foreign funds to book profits from emerging markets like the Philippines, he adds.

Last June 13, the PSEi plummeted 6.75 percent, marking the deepest single day drop of the main index since plunging 12.27 percent on Oct. 27, 2008, the same day Lehman Brothers declared bankruptcy and sparked the global financial crisis.

"Unfortunately, the markets over-reacted, including the Philippines," Sicat, for his part, says. "Both local and foreign institutional investors pocketed some profits, to make sure they realized gains while they have some".

Stock market pundits continue to declare that nothing is wrong in the Philippines fundamentally; the dampener is due to the exit of foreign funds and negative sentiments. Industry leaders agreed that the market correction was a healthy breather for skyrocketing stock prices, which made the Philippines one of the most expensive bourses in the world.

"For one, it took out the froth of the market because of the liquidity in the region," Bate says. "At the same time, it also gives investors a chance to take advantage and buy at cheaper levels."

A PERIOD OF CONSOLIDATION

Like a winnowing fork, the correction separated the hot money from long-term investments.

Sicat says: "Like all markets, there has been a tempering of expectations. When we have 24

months of straight growth, people sometimes forget that the market also goes down and not just up. So it's a good reminder".

The downturn also pushed investors to seriously evaluate their risk tolerance, which was clouded by record rallies early this year because "it was like easy money for everyone," the PSE chief says.

On Aug. 28, the PSEi slipped to its lowest closing this year at 5,738.06, which erased year-to-date gains, given uncertainties over the end of the liquidity-boosting easy bond buying program of the Fed and geopolitical tensions in Syria. The last time the benchmark index closed at the 5,600 level was on Dec. 18 at 5,636.59.

"I think we've already seen the large extent of the drop in the market," Bate says, adding that usually after a steep sell-off in the market, it tends to bounce from the lows, then goes through a period of consolidation, as confidence slowly returns into the market before heading up again.

"Because the liquidity remains high and the fundamental story of the country is intact, I

think the market is close to its bottom," Bate adds.

By November, non-trust entities can no longer place funds in BSP's special deposit accounts (SDA). It is estimated that P1.4 trillion of the P1.9 trillion SDA placements are from non-trust entities or investment managed accounts of private individuals. Some of that P1.4 trillion is seen going into stocks.

While the stock market is projected to recover and record some gains for the year, it will take some time before investors see confidence return in a big way. Most investors were spooked by the sudden change in market sentiment, prompting them to shift to guarded optimism from being all-out on stocks.

"This is the best time for the retail investor to start investing in the stock market, when everyone is fearful," Bate says. "As long as you stick to good quality companies and your investment horizon is for the long term, you have nothing to fear, as the natural tendency of the stock market is move up over time."

OUTPERFORMING OTHER ASSET CLASSES

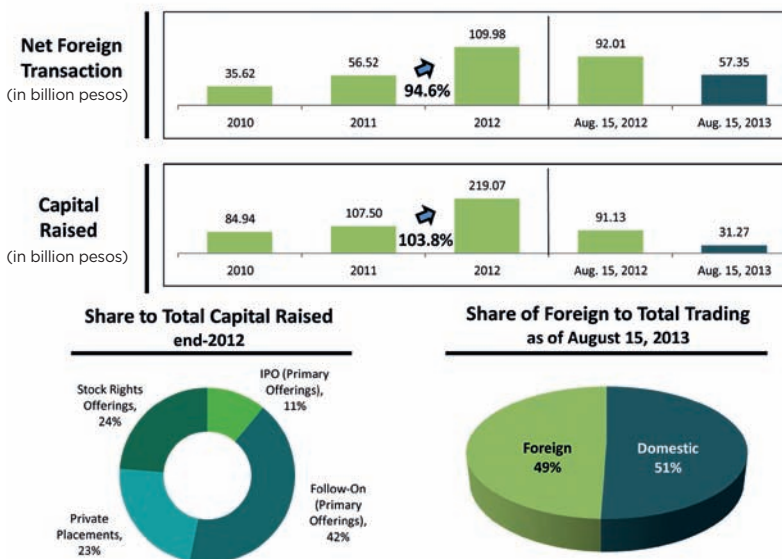
At the end of the day, stocks continue to be one of the top investment opportunities around. "Over periods of time, the equities market beats the bond and cash markets or deposits, even on a risk-adjusted basis," Sicat says.

"In the long term, stocks will still outperform any asset class," adds Bate. "For instance, stocks have outperformed fixed-income instruments in terms of returns in the past five to 10 years despite the global financial crisis and the European debt crisis".

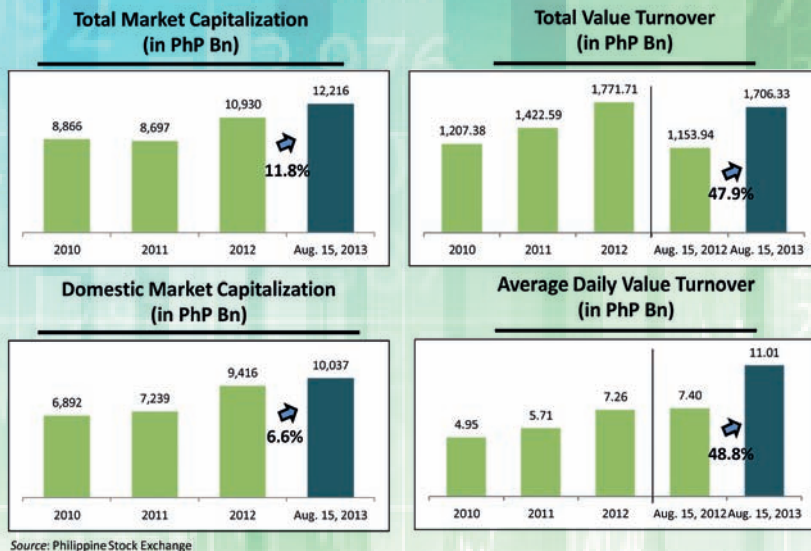
COL Financial, which has customer base of over 70,000, projects the PSEi will end the year at around 6,500 to 6,800, a growth of about 12-17 percent. It further expects most sectors to post continuous earnings growth through next year, with the power sector's earnings per share seen to pick up 3.5 percent in 2014.

"Meralco (Manila Electric Co.) is one of the best proxies to the strong economic growth of the country. Power consumption is linked to GDP growth," Bate says. "We believe Meralco will become a major player in the power industry as they enter into the business of power generation."

STOCK MARKET HIGHLIGHTS



Source: Philippine Stock Exchange



He points out that Meralco's share price is still attractive at current levels, with an upside of P330 by yearend, more than 20 percent from current prices. Meralco closed at P268 per share on Sept. 5, 2013.

Meralco, the country's largest electricity distributor, is one of the drivers in the power sector. The company plans to build numerous power plants with a total generation capacity of nearly 3,000 megawatts until 2020, to serve the growing demands of its customers.

Amid the possibilities for growth, stock market investors are seen adopting a wait-and-see stance in search for firm developments here and abroad.

"Investors will take their time to get back into the market, as they wait for more clarity on the US Fed's policy on syphoning liquidity from the market," Bate says. "One should start slowly putting money in the market during these times when there is not much interest and prices are depressed." In contrast, the first five months of 2013 saw investors jump on almost any new buying opportunity to ride the wave of local stocks.

Sicat observes that the cash position of both local and foreign investors is higher than what they had in 2012. This gives them flexibility to enter the stock market at cheaper costs during dips.

WHERE THE ACTION IS, AND ISN'T

In terms of specific sectors, there are a lot of options that will ensure capital growth.

"I continue to be excited about the tourism, consumer, and infrastructure industries," Bate enthuses.

"The industrial sector related to construction and infrastructure will do well. The business process outsourcing (BPO) in the service sector will continue to be a driver for the local economy because of local and global demand," Sicat adds.

"The property sector will continue to do well, both office and residential," says the PSE chief. For instance, office supply has not yet caught up with demands of the BPO sector while the residential segment, particularly the mid-market and affordable markets that focus on end-users, is backed by a chronic housing backlog.

Meanwhile, power generation firms will experience increasing demand as the economy continues to be strong. Data from the Department of Energy shows that supply will be at a critical level for the Luzon grid starting in 2015, if there are no power plants that start operations. On the other hand, the hydropower-reliant Mindanao is already suffering from rotating brownouts during the summer season.

But the mining sector is still a big question mark, as the government's new revenue sharing rule has yet to be finalized while global commodity prices remain depressed.

"I don't think you will get support from the government in mining and oil," Bate says.

"Unfortunately, the one sector I don't see doing well will be the mining sector. Until the Palace decides what the guidance is on the royalty sharing everybody will be waiting," Sicat observes.

Banks, for their part, will go through a period of change as there will no longer be extraordinary trading gains that lenders enjoyed in the first half.

IPO IS THE WAY TO GO

Investing opportunities will also arise once several companies pursue initial public offering (IPO) plans. The market volatility had prompted Robinsons Retail Holdings Inc. and Travellers Hotel Group Inc. to defer their P40-billion and P42-billion IPOs, respectively.

"Both investors and issuers have to be a little more time sensitive," Sicat says. "I think most of these guys will start coming back towards the end of the third quarter and then in the fourth quarter."

"It's just a matter of price," Bate says, adding that companies need capital so they will take advantage of any window to raise fresh funds.

2012 PSE CAPITAL PROCEEDS

Aside from focusing on specific sectors, investors are advised to look for growth potentials of specific companies.

Firms with strong recurring earnings and are leaders in their own industries will be attractive to investors, Bate says. "Investors will be looking at companies' ability to grow. It's no longer the period when all stocks will rise when

the tide rises." He continues: "You have to be very selective about the stocks you buy and also the amounts you put in per stock."

In a study, the PSE says the net income of all listed companies surged 23 percent to P163.42 billion in the first quarter of 2013 from P132.54 billion a year ago. Total revenues of public companies picked up 15.4 percent to P1.21 trillion from P1.05 trillion last year.

NEW INVESTMENT OPTIONS, SERVICES COMING

Sicat says the PSE's strategy is to introduce more products "that will create continued activity in our market."

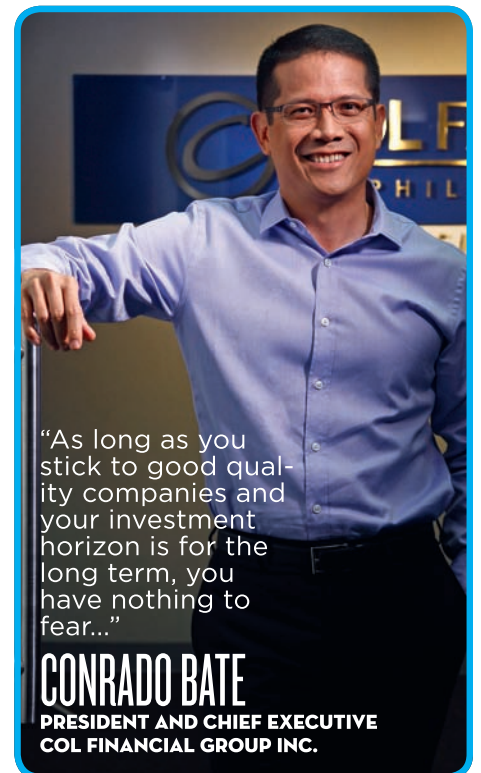
For instance, several companies are planning to launch Exchange-Traded Funds, which are securities and investment instruments that monitor a commodity of assets like an index fund but trades like a normal stock in an exchange. Bate explains that ETFs will allow retail investors to diversify their portfolio at low costs.

PSE will also launch an online trading platform PSETradex. It is a web-based trading management system that will allow users to trade shares, manage their stock portfolio, and gather relevant data using their own computers or smart phones.

"The PSE is trying to reach out to everyone: investors, issuers and even regulators. We love to work for a deeper market and invite investors to start saving starting today," Sicat says.

Total investor accounts rose 4.1 percent to 525,850 last year from 505,054 accounts in 2011. However, stock market investors account for less than one percent of the Philippines' 90-million population.

Bate says investors should take a long-term view so they can ride the wave, even during downturns. "One must remember that often there is no correlation in the short term between a company's strong performance and its share price, but in the long-term there is 100 percent correlation. Therefore, it pays to be patient."



"As long as you stick to good quality companies and your investment horizon is for the long term, you have nothing to fear..."

CONRADO BATE
PRESIDENT AND CHIEF EXECUTIVE
COL FINANCIAL GROUP INC.



Meralco's Head of Innovation, Dr. Bartosz K. Wojszczyk (pronounced, "Bart-toesh Voy-shch-ik"), is an experienced executive for global businesses from "start-ups" to companies worth over \$2 Billion annually. Recognized as an industry leader in business development, operations (sales and marketing), corporate strategy, transformation, technology innovation and commercialization, Dr. Wojszczyk is also a technical expert in the areas of utility design and engineering (TandD); smart grid; renewable and distributed generation; advanced protection and automation; energy storage and e-transportation. He has authored 30 papers, co-authored three books and four international reports and is a member of the International Energy Agency (IEA) and the Institute of Electrical and Electronics Engineering (IEEE). He is also an adjunct Professor at the University of North Carolina, USA.

Meralco Power Club's (MPC) Samantha Echavez sat down with Dr. Wojszczyk (BKW) to discuss the topic of energy industry innovation and how Meralco is responding through business transformation.

MPC: WHAT ARE THE PRESSING ISSUES THAT NEED TO BE RESOLVED?

BKW: The energy industry has been under significant pressure to transform from being stagnant, reactive, and noncompetitive to "forward-looking" (predictive), innovative, and customer-centric. The urgent need for industry transformation is often amplified by today's global energy challenges, example:

- 50 percent of existing energy infrastructure is reaching the end of its designed life-time;
- 20 percent of the world is without electricity; and
- 75 percent expected increase in electricity demand by 2030.

Furthermore, energy stakeholders are experiencing lower quality of service (reliability and security of power supply). This is manifested through an increased number and frequency of large-scale energy disruptions caused by natural disasters (e.g. typhoons, floods and earthquakes) and routine power outages. The Electric Power Research Institute has estimated the total cost

of power disruptions to businesses globally is around \$120 Billion or approximately 1 percent of the gross domestic product (GDP) per annum.

To effectively embrace the on-going transformation, energy stakeholders must go beyond the industry's "historical" and sometimes current approaches. That means "new thinking" in the areas of:

- Progressive Policy and Regulation to create new market and investment mechanisms;
- New business operating models as a service provider and "energy portfolio" manager and not only an "infrastructure owner";
- Technology innovation supported by scalable, interoperable and open-standard solutions;
- Customer empowerment ("Partner") "added-value" services; and
- Energy security and independency through highly efficient and cost competitive centralized and local generation development

MPC: HOW IS MERALCO ADDRESSING THESE CHALLENGES?

BKW: Three years ago, Meralco started a transformational journey by defining a new business strategy built on the core values of:

- Service excellence and business performance;
- Teamwork and accountability; and
- Integrity and transparency;

From the beginning, Meralco clearly understood that successful transformation would require innovation from the entire organization in the areas of:

- Business operations - defining new ways how business is done in our core competencies, as well as disciplined growth through justifiable business case;
- Customer centricity - enabling "added value" services to all our customers; and
- Network modernization - deploying modern solutions to provide better reliability and security of power supply, as well as preparing for an uptake of advanced technologies such as distributed generation and E-transportation.

Meralco also understands that successful transformation of our organization can only be

achieved through creating a culture of highly capable people who embrace innovation.

MPC: HOW FAR HAS MERALCO GONE INTO ITS TRANSFORMATIONAL EFFORTS?

BKW: Meralco is much closer to its customers. A lot of effort has been put into understanding the needs of our customers in the areas of reliability of power supply, affordability of energy, quality and responsiveness of customer service and many others. This results in customer-facing investments (e.g. smart meters); enabling better and timely information about electricity consumption; diversity of "tools" for more effective energy management (e.g. home automation); and faster and more accurate detection and restoration of service interruptions.

On the network side, our approaches are focused on developing "smart grid" capabilities and new operating practices. That means deployment of modern distribution and substation automation; advanced applications enabling optimized network and asset performance; and IT capabilities maximizing technology value realization through integration and scalability.

It is also a priority to prepare for the quickly approaching "green agenda". In the near future, our customers will become what the industry calls "prosumers" - those who can locally generate and manage electricity from renewable sources (e.g. photovoltaic, mini wind turbines) and those who will commute by diversity of electric transportation. In preparation for this, Meralco is proactively investing in demonstration projects that combine an e-transportation charging infrastructure and localized renewable generation.

In summary, Dr. Wojszczyk states that the journey is not over, but it is only the beginning! Meralco will continue to pursue the necessary business and technology innovation needed to effectively address the Philippines' unique challenges of energy supply security and affordability, electric grid performance improvement, consumer empowerment and environmental protection. 🌱

DELICIOUSLY ATTRACTIVE

A vibrant economy turns an appetite for success into a market for new tastes.

By Tina Arceo-Dumlao



Buddha Bar, a franchise of the Paris-based chillout bar, is winning fans locally with its laidback cool vibe and toothsome dishes.

A young and growing population of 90 million. Over \$21 billion a year in remittances from Filipinos living and working overseas. Economic growth estimated at close to seven percent this year. Rising global demand for business process outsourcing services. Investment grade rating from international credit rating agencies.

But perhaps there's no need to pore through reams of economic reports and government statistics to see, feel - and taste - the fruits of Philippine prosperity.

FEEDING A GROWING HUNGER

The rise of Filinvest City in Muntinlupa, Bonifacio Global City (BGC) in Taguig, and the transformation of Cubao around the Araneta Center, are all very visible indicators of growth and confidence.

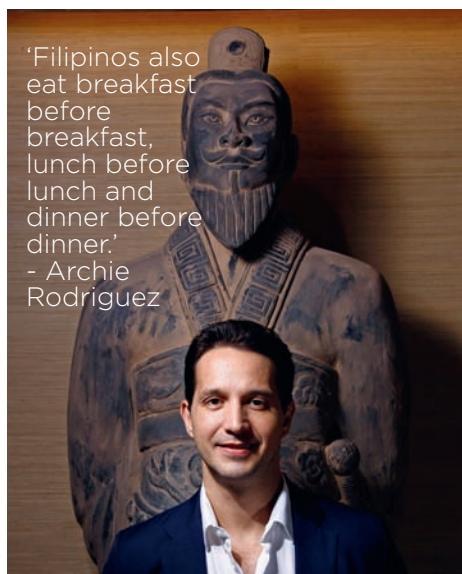
Bolstered by Meralco's aggressive infrastructure expansion, Metro Manila acquired 6.7 million square meters (sqm) of retail space by 2012, and was home to three of the world's 10 biggest malls (SM's North EDSA, Mall of Asia and Megamall). That retail space is expected to grow to 7.4 million sqm by 2015, according to a 2013 Property Market Overview by real estate services firm Jones Lang LaSalle.

The boom in retail spaces also feeds a growing appetite for restaurants of all sizes, prices and cuisines. This means more restaurants consuming more rice, flour, meat, eggs, sugar, salt - plus one more important ingredient: electricity.

By Meralco's own estimates, malls and retail establishments accounted for 12 percent (2,625 gigawatt hours or GWh) of its business in 2012. As of July 2013 alone, consumption is already at 8 percent (1,750 GWh). Power remains a crucial component of the food service industry, because it doesn't just help feed appetites; it also helps creates more businesses, jobs and opportunities.

These attributes make the Philippines a mouthwatering market for brands - specifically those in the large food sector - looking for fantastic growth opportunities, given the slow economic growth in sluggish United States and debt-ridden Europe. The main way global food brands have profitably entered the Philippines is through franchising.

It's a concept the country is very familiar with, given its colonial ties with the United States, which arguably pioneered the



'Filipinos also eat breakfast before breakfast, lunch before lunch and dinner before dinner.'
- Archie Rodriguez

franchising of brand names in the 1850s, when Isaac Singer gave independent salesmen the rights to sell his sewing machines.

STRIKING GOLD

One of the groups that struck gold here is Global Restaurant Concepts Inc., which brought in American franchises like California Pizza Kitchen (CPK), the company's flagship brand, casual Chinese food chain P.F. Chang's and, most recently, the iconic, all-American breakfast stop, International House of Pancakes (IHOP).

The Philippines has the distinction of having the first CPK restaurant outside the US, opening at Glorietta 3 in 1998. Today, CPK has 10 restaurants in Metro Manila, with more branches opening over the next few years. The Philippines is also the first country in Asia to host P.F. Chang's, with branches at the Alabang Town Center and BGC. The overwhelmingly successful IHOP, also at the BGC, opened this year, offering pancakes and omelettes morning, noon, and night.

Global Restaurant President and Chief Executive Officer Archie Rodriguez says strong brands in the food sector will likely do well in the Philippines because Filipinos love to eat and entertain increasingly outside the home.

"We are focused on food because everybody knows we Filipinos like to eat. As they say, Filipinos also eat breakfast before breakfast, lunch before lunch and dinner before dinner," he adds.

He stresses, however, that not all food concepts - even those that are successful abroad - translate well here (cases in point include Carl's Jr. and Texas Chicken). That's why Rodriguez focuses not only on building the brands, but in ensuring the consistency of product and service. This is critical, given the entry of more foreign restaurant franchises.

"We feel the growth in the economy but we are also feeling the competition. There are so many more competing brands and locations now than when we started in 1997 during the Asian recession. Competition is really fierce. We just have to ensure that we deliver on our promise to our customers," Rodriguez adds.

OPENING UP TO NEW CUISINES

The exciting opportunities for company expansion has convinced Kyochon, one of the largest fried chicken restaurants in South Korea, to enter the Philippine market in partnership with the WC Group, headed by Wilson Chu. His company also brought in food concepts like BreadTalk, ToastBox, Banana Leaf Curry House, Ikkoryu Fukuoka Ramen, and Chops Chicago Steak House to our shores.

During the signing of the memorandum of agreement between the WC group and Kyochon FandB Co. Ltd. of Korea, Chu declared that these are good times for the food franchising industry, with the rise in disposable incomes giving more Filipinos greater appetite for eating out. And as Filipinos become more open to trying out new cuisines, Chu remains on the lookout for new concepts to bring into the country.

Although most of Chu's franchise concepts come from Singapore (his flagship brand, BreadTalk, has over 35 branches), he is keen to introduce Kyochon's six flavors of Korean-style fried chicken.

He says his group was actually "quite late" in bringing Kyochon to the Philippines, but he remains unfazed. He is confident that the brand will inevitably overtake the competition.

"Now we have to act fast and make the people appreciate our chicken," says Chu. The first Kyochon branch is scheduled to open at the Greenbelt mall in Makati later this year.

FEEDING A HUNGRY TIGER

At the recent Franchise Expo, Philippine Franchising Association (PFA) Chairman Emeritus Samie Lim reveals that foreign brands are entering the Philippines in record numbers. He said the Philippines - now perceived as the "new tiger" of Asia - has "the most vibrant" franchise industry among the member-economies of the Association of Southeast Asian Nations.

Data from the PFA, the voluntary self-regulating governing body for franchising in the Philippines, show that the Philippines has 1,300 franchise systems, with 125,000 franchise outlets, employing more than a million Filipinos. The sector, which includes both local and foreign brands, generates a combined US\$13 billion in annual sales.

"I can confidently say that the Filipinos know franchising more than anybody else in this region," says Lim, adding that the Philippines has become the "true franchising hub of Asia."



An irresistible stack of all-American pancakes from IHOP

He notes that food brands from Singapore, Hong Kong, Japan and even Indonesia are franchising here.

"In the next two years, there will be more Asian and Asean food franchises that will quietly come in. This will make our food franchise industry more vibrant - but this is also something that people in the food business should prepare for," says Lim.

"Franchising is an effective engine of economic growth and we are seeing and feeling that now more than ever. This is a very exciting time for us as an industry," he adds.

A VIP MAGNET

Even European businesses are getting a piece of the action.

Buddha Bar's very first Southeast Asian bar opened in Makati on January 2012 at a cost of around P500 million. Named after the gigantic Buddha statue dominating the interior, it was for a while, the biggest Buddha Bar in the world, until Moscow opened.

Buddha Bar and Restaurant is a franchise from Paris, France, originally conceived by Frenchman Raymond Visan to be THE party place to be seen in.

Marketing Manager Arianne Aguja recounts that AMA Group chair Amable Aguiluz personally talked to Visan, to convince him to bring the concept to the Philippines. It required guaranteeing that the brand's high standards would be maintained.

"Even the lamps, tables and chairs had to be approved by Buddha Bar in Paris. Even the music is really different here and has to conform with the standards in Paris," adds Aguja.

In less than two years, Buddha Bar in Manila has developed a loyal following among locals and a large number of expatriates. It has even become a destination for partygoers from all over the region who want to experience the chic atmosphere of a Parisian night spot.

Although PFA's Lim points out that concepts from Europe are still few, the whole world is waking up to the promise and potential of the Philippines.

"We are now on the global business radar. It is no longer about BRIC - Brazil, Russia, India and China. The focus now is on VIP - Vietnam, Indonesia and the Philippines. Some economists say it is TIP, Turkey instead of Vietnam, but who cares - as long as they have the Philippines." 🇵🇭



Bread Talk's popular baked goods first took off in Singapore

A photograph of two middle-aged men in business suits standing against a bright yellow background. The man on the left is wearing a dark pinstripe suit and a blue patterned tie. The man on the right is wearing a dark blue suit and an orange patterned tie. They are both looking towards the camera with neutral expressions. The title 'STEERING IN THE RIGHT DIRECTION' is overlaid on the image, with 'STEERING' in blue, 'IN THE' in white, 'RIGHT' in blue, and 'DIRECTION' in red. A blue horizontal line is above the title, and a red horizontal line is below it.

STEERING IN THE RIGHT DIRECTION

The Philippine economy is a complex mechanism with literally millions of parts and players. How can two men keep the machine running smoothly?

By Iris Gonzales

The Red Priest's symphony wafts smoothly from a black Harman Kardon iPod dock, serenading anyone who enters the imposing mahogany door. Yet this is not a priest's quarters, nor it is a cathedral from forgotten times. Just the same, the man who holds office here can be God-like at times to many in the banking and financial community — a critical component of the economy — especially during economic stress or volatility.

Room 501 of the Bangko Sentral ng Pilipinas (BSP) is where its top official, Governor Amando Tetangco, Jr., holds office. It's no easy task to keep the country's monetary environment in order. It can be trying at times but Tetangco, an avid golfer and sharp shooter, finds comfort in many things. On a rainy Friday like today, he is listening to the relaxing music of Italian Baroque composer Antonio Vivaldi, also known as the Red Priest, while watching the peso dance against the dollar and swaying along with regional currencies.

More than the relaxing music, Tetangco finds comfort in the accomplishments of the Aquino administration in moving the economy forward.

For the first time in its history, the Philippines has earned an investment grade rating from global debt watchers. Interest rates are at record lows and foreign funds are pouring in as the economy grew 7.7 percent in the first quarter of the year, mid-way into the term of President Benigno S. Aquino III.

"Let's look at what the President has done. He has been very consistent with his message of good governance and he has followed through with the institutionalization of reforms," says Tetangco, who was recently awarded his fifth "A" rating as a central banker from the respected international Global Finance magazine, counting him among the best in the world.

The reforms on budgetary discipline through the zero-based budgeting approach and the improvements in project implementation are just some of these concrete measures, he says.

"Now we can get better roads for the same amount of budget allocation."

President Aquino, indeed, has set the direction that Tetangco and government economic managers led by Finance Secretary Cesar Purisima, have been implementing.

With these two key figures at the helm, the government's economic cluster has been reaping the fruits of many labors.

INCLUSIVE GROWTH

Optimism aside, Tetangco says a lot of work still needs to be done for economic growth to trickle down to the third of the population who live below poverty line.

The key, he says, is to mobilize the "wall of liquidity that the Philippines currently has."

"What would be ideal to have in order to make the Philippines a roaring tiger is a mechanism of channeling these funds to productive uses," Tetangco says.

By funds, he is referring to the high level of liquidity in the financial system. As of June 2013, the liquidity parked in the vaults of the BSP through special deposit accounts amounted to P1.798 trillion, a huge amount that could be used to fund critical infrastructure projects such as roads, bridges and airports.

However, the situation is not unique to the Philippines, the BSP chief adds.

"From my exchanges with other central bank governors in the region, I've learned that what is lacking in their jurisdictions - and not only in the Philippines but in many other jurisdictions - is an effective process of sifting through possible projects for funding to find those that are viable or bankable."

Tetangco says what is needed is a happy marriage between projects and the lenders or the source of funds.

"In the context of the Philippines, we need a way to effectively and more efficiently marry viable projects with banks' risk appetite. This would require a good appreciation of priority areas of development. It would also require a strategic

mind that can craft an incentive structure for sources and users of funds and both of these should be vetted by good governance principles," he continues.

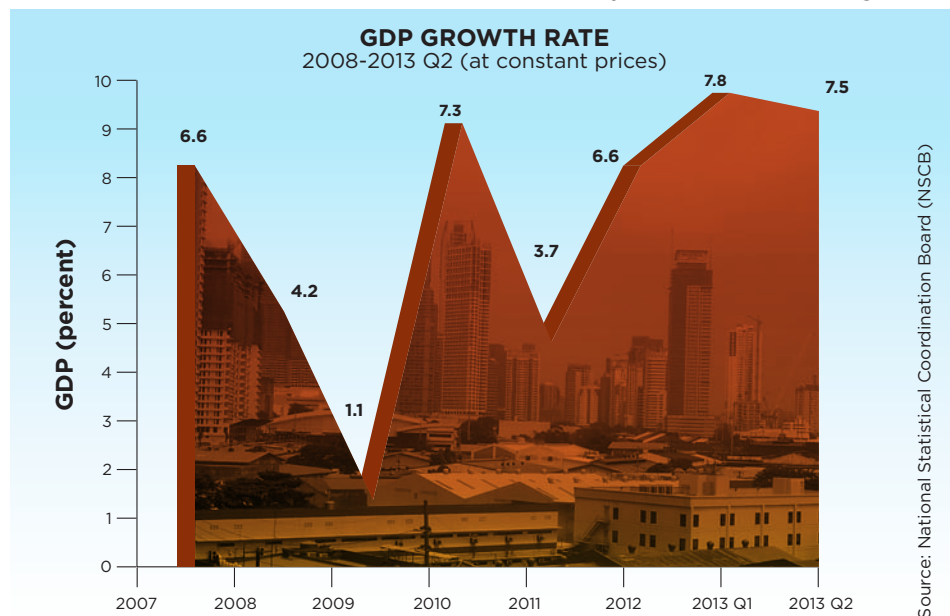
Tetangco adds that infrastructure projects and projects in growth sectors are needed.

Helping boost economic growth is the power sector through private investments in energy projects. The Department of Energy said the Luzon and the Visayas grids have enough capacity until 2016, but Mindanao currently lacks the reserve needed to provide stability in the grid. However, a total of 588 megawatts (MW) in committed power projects are planned for Mindanao, with the large-capacity projects expected to start coming in by 2014 at the earliest. The 300-MW Therma South project is expected to come in by the second quarter of 2014, while the 200-MW Sarangani Energy Corp. facility will be online beginning 2015.

THESE WON'T HAPPEN OVERNIGHT

Mobilizing the funds for viable projects such as infrastructure rests largely on the national government but Purisima, the country's finance chief, says the Aquino administration is implementing this carefully.

A hotshot Certified Public Accountant before joining the government, Purisima was also the Finance chief during the administration of former President Gloria Macapagal-Arroyo. At the height of election fraud allegations against Arroyo, a disgruntled Purisima resigned from the Cabinet and led other key government officials to join him. They came to be known as the "Hyatt 10," from the name of the posh hotel along Roxas Blvd. where they announced their resignation.



"We don't want to repeat the mistakes of the past," Purisima says, referring to big-ticket projects that guaranteed returns to investors — no matter how these ventures turned out — to the detriment of state coffers.

"I'm confident we've dealt with the obstacles and that took a long time. From now on, you will see a constant flow of projects launched by this administration," the Finance chief adds.

However, eliminating poverty will not happen overnight.

"The fight against poverty is not going to be won in a single battle. It would be a long journey. The important thing is we're establishing the right foundation so that this becomes a sustainable effort. It won't happen overnight but the good thing about us now is that the correction is coming at the right time. We have the right leader with the mandate. We are at the heart of what will be the most dynamic economic region of the world," Purisima declares.

"The fight against poverty will have to be wholistic and that is what President Aquino is doing. He is approaching it from the top, the middle and the bottom," he says.

From the top, the objective is to create more economic activities, more investments and more employment opportunities. At the bottom, the President is investing in the people through the conditional cash transfer program and the increase in education and health budget.

"These are all intended so that each and every Filipino will have the opportunity to lead productive and healthy lives," Purisima says.

At the middle are the sectoral reforms or the focus on key sectors so that reforms are sustainable, he adds.

"Tourism is an important sector, to make sure we achieve our goal of not only hitting 10 million tourists (by 2016) but also 56 million domestic tourists," he says, adding that the government is also paving the way for the convergence of industries such as agriculture, souvenir manufacturing and services, which will add to the multiplier effect of tourism.

THE WAGES OF SIN

To fund all these plans, the Aquino administration has been trying to shore up revenues.

For instance, it is pushing for higher sin taxes on alcohol and cigarettes, something that the previous administration tried but failed to achieve.

Purisima, who is credited for leading the fight to pass the controversial and highly-resisted sin tax measure, said the Department of Fi-

nance would not have been able to push the legislation without the support of President Aquino.

"The difference now is we have the right boss. Whether in government or in business, it's important you have to have the right boss and the right people. There's an important synergy. We have a leader who has a very strong core, strong political mandate and who is using his political mandate to go for transformational legislation," he says.

After months of sleepless nights preparing for hearings at the Senate and at the House of Representatives last year, the Finance and Health departments successfully hurdled Congressional delibera-



AMANDO TETANGCO JR.
Governor
Bangko Sentral ng Pilipinas

LOST POPULI

Has the surging economy spread out to the people on the street? We asked; they answered.

Claricel Samaro, 32

Fishball/Cigarette Vendor,
Roxas Boulevard, Manila

Q: Has life improved compared to before?

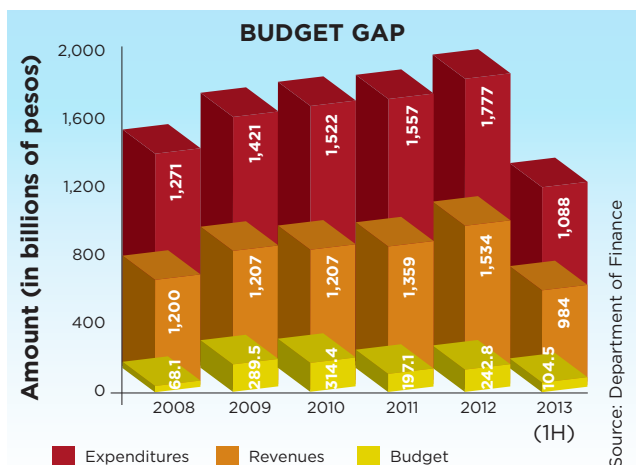
A: *Ok lang naman, nakakaraos din pero sana mas bumuti pa. Ganun padin dati, ganun pa din ngayon. (Life could be better but we get by. It's pretty much the same as before).*

Q: What is your wish from the government or what can it do to improve your life?

A: *Maganda sana kung may pangpuhunan sa negosyo kasi ngayon sa 5-6 lang (We hope we can tap the government for capital or funding for our business because now we only rely on loan sharks).*

Q: How can that improve your life?

A: *Para makabili ng pangangailangan para sa tindahan. (We could use the additional funding to expand our business or to buy our daily needs).*



tions on the measure.

During the first six months of the implementation of Republic Act 10351 or the Sin Tax Reform Law (January to June 2013), the Bureau of Internal Revenue (BIR) collected P38.54 billion in excise taxes on tobacco and alcohol.

This helped contain the government's budget deficit in the first half of the year at P51.3 billion, below the programmed deficit of P84.7 billion for 2013.

Purisima says efforts to create a wider fiscal space by raising more revenues are continuing to meet the goal of bringing the government's revenue effort to 16.9 percent of the country's total economic output by 2016.

"This should create fiscal space for the President to invest, such as on infrastructure and better health care facilities."

To further improve tax collections, the BIR is aiming to broaden the tax base.

"By some measure, we have several hundred thousand companies in the country. There's still a lot out there that we can collect from," Purisima says.

SUPPORTING MSMEs

Higher tax collections and investments would indeed boost growth.

However, Tetangco adds, for growth to reach the wider population, it is crucial to support the micro, small and medium enterprises.

"To me, it's important that we develop the micro and small and medium enterprises (MSMEs), because if you're able to develop this sector, the sources of growth for the economy will be broader-based. Therefore, the economy would be less vulnerable to the effects of external shocks. You're basically raising the importance of domestic demand, which is what has happened so far. We have not been that affected by the global financial crisis, at least in the real economy, and of the downturn in advanced economies because the main source of growth here is

so they become more bankable units. For example, to improve the coconut industry, we need to help coconut farmers get access to cheaper financing. This way, they can replant so they can have multiple crops - not just coconut - and also so they can benefit from a lower interest rate environment."

On the part of the BSP, Tetangco says monetary authorities would further refine the regulatory environment so that MSME-oriented banks can be properly motivated to provide a menu of financial products that are responsive to the MSME sector's needs — microfinance, insurance, agri-loans, among others.

The establishment of branch networks including no-frills banking offices, together with the use of modern technology, is also necessary to reach the "unbanked and the under-banked," he says.

THE LEGACY

The work ahead continues to be daunting, and time

domestic demand. That has helped insulate us from the negative impact of the slowdown in advanced economies," he says.

Purisima, too, recognizes the need for MSMEs to be given access to financing.

"If we are to succeed in this fight against poverty, giving access to lower-cost financing is going to be one of the important pillars."

Purisima continues: "This will be a wholistic program to empower or organize the grassroots

“What would be ideal to have in order to make the Philippines a roaring tiger is a mechanism of channeling these funds to productive uses.”
-Tetangco

Norma Jurilla, 42

Domestic Helper
Quezon City

Q: Has life improved compared to before? If not, what is your wish from the government?

A: *Lahat naman gusto sana umasenso pero hindi naman nangyayari kaya sa totoo lang, sa gobyerno na ito, wala naman ako maisip na hinging. Wala akong gusto hindi naman kasi nagbabago. Hindi pa rin ako yumayaman. (We all want to succeed but this is not easy, so honestly, I can't think of asking anything from the government because nothing will change anyway. I am still poor).*

Q: But if you could wish for something from the government, what would it be?

A: *Sana tulungan ng gobyerno umunlad nag mga mahihirap. (I hope the government will help the poor get out of poverty).*

Q: How do you cope with the expenses?

A: *Nagsisikap pa din para umunlad. Sa probinsya wala naman kasi masyadong gastos. Yung pinapadala ko sa probinsya (sa Samar) kasya naman. Hinahati-hati ang maliit na kita, binu-budget lang. (I still strive to succeed. In the province, the cost of living is not that high so with the money that I send, my family (her parents and son) tries to make ends meet. We try to live within our means).*

“

The fight against poverty is not going to be won in single battle. It would be a long journey. The important thing is we're establishing the right foundation so that this becomes a sustainable effort.

- Purisima

”

is running short. Despite its accomplishments, the Aquino administration still has much to do before its term ends in 2016. It needs to work double time for growth to trickle down to the bottom, or even midway through.

But for Purisima, who sacrificed a top managerial position at the SGV Co. auditing firm to join public service, what is important is that Filipinos have regained their faith in the government.

“The legacy of President Aquino is, in my humble opinion, to be able to make Filipinos believers again — that the government can be better and that the Philippines can actually realize its best potential — because for the longest time our

people have been quite cynical and have given up hope. Now we're starting to see people believe again,” he says.

This, the Finance chief says, will be the defining hallmark of Aquino's presidency.

“This is going to be his biggest legacy because the fight to bring us where we were before will take more than one administration. If the mindset has been changed, that will be the biggest step. If you have people who believe, you will have people who will pay the right taxes and people who will fight corruption. I'd like to celebrate more wins so we gain more confidence in this long journey to our rightful place in this community of nations.”



CESAR PURISIMA
Secretary
Department of Finance

Supermarket bagger, 30

(Name withheld upon request due to company policy against granting interviews)

Save More Supermarket
Quezon City

Q: What plans do you have for yourself?

A: *Pangarap ko maging kusinero sa isang restaurant or hotel here or abroad. (I dream of becoming a chef in a restaurant here or abroad).*

Q: Do you feel that the economic boom is affecting you?

A: *May pagbabago siguro sa aspeto ng pagdisiplina sa mga tao pero sa ginhawa ng araw-araw na buhay parang ganun pa din. (I think that people are more disciplined now but as for my own life, I think it's still pretty much the same as before).*

Q: What do you think the government can do to improve your situation?

A: *Kung makatulong ang gobyerno na makapasok ako sa trabaho bilang chef. (Maybe the government can help by getting me a job as a chef. That would really help a lot).*

SAVING A SANCTUARY

Meralco employees help conserve the last coastal biodiversity reserve in Metro Manila

Unknown to most of Metro Manila's residents, a hidden sanctuary sits right off Coastal Road, on Freedom Islands in Manila Bay. The Las Piñas-Parañaque Coastal Habitat and Eco-Tourism Area (LPPCHEA) is 30 hectares of thriving mangrove wetlands, where 82 bird species – including migratory birds from as far away as Siberia – come to roost. This diversity has made the LPPCHEA a haven for birdwatchers from all over the world, as well as a Ramsar-recognized site. (The Ramsar Convention is the international treaty that provides for the protection and conservation of important wetlands.)

Rey Aguinaldo, LPPCHEA project manager, has worked in the area since it was a reclamation site in 2000. He explained that after Manila Bay was identified as one of Southeast Asia's pollution hotspots, the wetlands project became one way to clean the bay. Mangroves purify water by absorbing contaminants and preventing the rapid growth of algae. They also capture carbon, trap sediment, and serve as nurseries and habitats for various species, including beneficial microorganisms.

The potential environmental and economic impact of the LPPCHEA has also captured the attention of the Manila Electric Co. (Meralco) and its social development arm, One Meralco Foundation (OMF). Working with the Department of Environment and Natural Resources (DENR) under its National Greening Program, OMF set up a program to plant 8,550 mangrove tree propagules, clean up the coastal area, and put up signs to direct more visitors to the site.

"The mangrove area is not only a source of food, but also of livelihood," says Marco Carlos, head of Meralco's Safety and Environmental Management office. "When people make their living from something like eco-tourism, they tend to become environmentalists because they have a personal investment in it."

Under the Makabayan Volunteerism Program – an employee engagement program initiated and organized by OMF – Carlos joined more than 200 Meralco employees last July 13 to clean up the area and plant 4,000 mangrove propagules. This happened during "Makabayan Days," which are designated by Meralco as employee volunteer days.

Jeff Tarayao, Meralco's chief Corporate Social Responsibility officer and OMF president, adds: "The mandate from our



chairman, Manuel V. Pangilinan (MVP), is to do good while doing well. Our hope is for Meralco employees to develop a heart of service and embrace company values while participating in our Makabayan activities. Because we think that nation-building goes beyond compliance, One Meralco Foundation has been steadily working to provide volunteerism opportunities for the

company's close to 6,000 employees."

Aside from the LPPCHEA project, Meralco volunteers also planted trees along the North Luzon Expressway with other volunteers from the MVP Group of Companies, painted pedestrian lanes in various school zones, and participated in community feeding activities with Caritas Manila during this year's Makabayan Days. 🌱



ROBBIE DINGLASAN
FOUNDER, BULLET MANILA,
PRODUCTION HOUSE.

From his office at the roof deck of the LPL Tower in Makati, TV commercial director Robbie Dinglasan has a fantastic view of the bustling Ayala urban landscape.

"From here, you can see how alive our economy has become," says Dinglasan, pointing out the window. Condominiums are being constructed left and right as far as the eye can see, while shoppers endlessly stream to and from the vast Ayala Center shopping complex just across the street.

"While there is still a long way to go, our economy has grown so much in recent years that I have decided to come back, and bring to the Philippines what I learned from working for many years abroad," he adds.

Dinglasan isn't alone in his optimism; many Filipino professionals who have gone abroad to pursue more lucrative careers are returning, spurred by a renewed sense of nationalism — as well as a restored faith in the Philippine economy.

According to the Philippine Overseas Employment Administration (POEA), the number of professional Filipinos that are working abroad has dropped to 54,617 in 2012, from a high of 61,598 professionals in 2011.

The POEA said the drop may be attributed to the non-renewal of the contracts of these Filipino professionals, due to the sluggish global economy. But many observe a growing preference among these professionals to come home and try their luck in the Philippines.

Dinglasan — who has an Industrial Management Engineering degree from the De La Salle University and a Film degree from the New York University — lived and

worked in Shanghai and Bangkok as a freelance director since 2000. But he has always dreamed of challenging Thailand as the region's production hub for TV commercials.

Confident of the advertising industry's prospects in the coming years, Dinglasan left Bangkok and, together with fellow Filipino TV commercial director Martin Arnaldo (who worked on short films and TV commercials in France and the Philippines), established Bullet Manila, a creative production house, in 2012.

"When the economy is good, we know very well that companies have more budgets for advertising. So it is exciting to be in the Philippines now," he says.

He believes that Filipinos now possess the needed talent, innate creativity and overseas experience to transform the Philippine advertising industry.

"I believe in getting the best talents — the best directors, the best creative minds from all around the world — and having them work here in the Philippines with Filipinos. We have to invest in people, if we want to make it big in the world," he says.

"We want to make Manila the next production hub."

Mike Oyson, chief executive officer of BPI Securities Corp. – one of the country's top brokerage houses – shares this confidence.

"I'm very excited about the Philippine economy. We're in the midst of what we call the Philippine economic supercycle."

He explains that while the Philippines previously underwent boom-and-bust cycles averaging four years, a "supercycle" means the country is in for an extended period of growth.

"This generation is very lucky. They will see very strong economic growth, GDP (gross domestic product) growth above seven percent. For me it's a good opportunity for the stock brokerage business. There is a great opportunity for people like us to educate the people on the benefits of investing in the stock market," he says.

It was a different story back in 1999, when the local economy was in difficulty, and the stock market was moribund. Oyson left to work as a financial analyst at

Deutsche Bank in Hong Kong. While the job was financially rewarding, there were also challenges.

"There was a stigma to being Filipino, because a lot of the Filipinos working in Hong Kong were house helpers or security guards. But as long as they understand that you work very hard, you're very diligent,

then there's a lot of opportunity to grow. I started as an analyst and eventually became the head of sales of Asia for Deutsche Bank," he adds. His talents and diligence enabled him to be recognized as among the top five best stockbrokers in Asia Pacific.

His success eventually led him to a career in New York and Wall Street. But when he received an offer to head BPI Securities last year, Oyson didn't hesitate to come back to the Philippines.

"It's nice to be home. Everything is familiar," he says.

Oyson is keen to introduce stock market investing to more Filipinos.

"The key goal we have is to democratize

"We're bringing the stock market to the wet market."



MIKE OYSON
CEO, BPI SECURITIES CORP

the access to stock market, to allow individuals to invest in the stock market. Back in the '90s investing in the stock market was limited to the who's who. With the Internet, everyone has access to the stock market and we're trying to educate the people on the stock market. They don't have to have a lot of money," Oyson adds.



CLINT NAVALES,
COUNTRY COMMUNICATIONS
MANAGER, PANDG

The Philippine economy's renewed vitality is also evident to multinational giant Procter and Gamble (P&G).

At P&G's local headquarters in the 6750 Ayala Avenue Office Tower, country communications manager Clint Navales says recent sales of their superstar brands like Tide laundry detergent, Safeguard bath soap, Pantene shampoo, and Pampers baby

diapers have been impressive.

It's quite a change from the country he left more than 12 years ago.

Back then, the lackluster economy had prompted Navales to live abroad, working as P&G's regulatory affairs manager in Japan and Singapore. While the opportunities were good, the cultural differences were daunting.

"In Japan, for example, language is already a major challenge. Japanese people also work differently. They have patience in getting into an agreement. It takes everyone to agree. They plan more. They require more data and analysis. But once they agree to a plan, it is difficult to change," Navales explains.

Recent developments, however, had changed his plans for living as an expat.

"After the 2010 national elections, it seemed very inviting to come back to the Philippines. There was a different energy; it just felt so exciting to be a Filipino," Navales says. "Maybe because people wanted change, after all the allegations of corruption in the past. Suddenly, there was a renewed

"The country is again on the investment map."

confidence on the Philippines. Investors started paying attention. And I wanted to be there."

In 2011, Navales took up the post of PandG's Philippines communications manager. Many discouraged him, saying that he was a fool to give up a peaceful life abroad with his family. But his desire to let his young children grow up with Filipino values strengthened his resolve to come home.

There's also the basketball, Navales quips. "It so nice to work here once again. You can watch the UAAP [University Athletic Association of the Philippines] basketball games with your colleagues and enjoy rooting for the same college teams." Navales is an alumnus of Ateneo.

Now that he is back, Navales is optimistic about the Philippines. "I am amazed on how much the country changed, from 12 years ago when I left. So many things have happened. I feel very confident that life is better now. We have improved. We have done some good."



CHARGING UP THE FUTURE

Meralco lights the way for electric vehicles, with the launch of the Philippines' first EV charging station.

In a ceremony filled with entertainment, futuristic vehicles and high-tech energy, the Manila Electric Co. (Meralco) unveiled the first commercial prototype of the country's first-ever electric vehicle (EV) charging station.

Dubbed the Meralco eVehicle Power Station, this technical pilot and showcase is a sign to EV stakeholders that the power firm is ready to support the local EV industry, by providing a facility capable of supplying power to electric cars, e-jeepneys, e-tricycles, and e-motorcycles of every brand, design and charging technology. This is achieved with the use of the Meralco-designed EV charging equipment that provides electricity in per kilowatt hour or per Peso increments, similar to what gas pumps provide gasoline-powered vehicles.

The EV charging station is designed by

Meralco to be truly environment-friendly. Aside from supplying power to vehicles at costs that are up to 50 percent lower than diesel, the charging facility incorporates renewable energy technologies, with a bay that is powered by a hybrid 5kW wind turbine and solar panel system that is completely non-polluting.

Providing the highlight for the night to the overflowing audience was the entry of the Tesla Model S all-electric car of Meralco Chairman Manuel V. Pangilinan. (Please see *Tesla Model S Launch*, page 20)

The launch was well-attended by luminaries from the national and local governments, the academe, EV stakeholders, and top executives of the automotive and business sectors, car industry and EV manufacturing companies, along with top executives from the national and local governments. 🚗



From left: Meralco Chairman Manuel V. Pangilinan, Meralco Vice President and Head of Marketing and Customer Solutions Jose Antonio T. Valdez, Meralco First VP and Treasurer Rafael L. Andrada, and Meralco Senior Manager/Executive Assistant (Office of the President and CEO) Danny Ignacio.



From left: Meralco Chief Innovation Officer Dr. Bartosz Wojaszczyk, Meralco Chair Manuel V. Pangilinan, Meralco Senior VP and Head of Customer Retail Services and Corporate Communications Alfredo S. Panlilio, Meralco President and CEO Oscar S. Reyes, and Energy Secretary Carlos Jericho L. Petilla.

ELECTRIC STYLE

Those who think electric cars are boring should get a jolt of Tesla

The launch of the Manila Electric Co.'s (Meralco) first electric vehicle (EV) charging station last July 30 should have, by itself, been big news. Alas, it had to share the spotlight with the unveiling of the Tesla S electric, the world's first premium electric sedan, and the first luxury electric car in the Philippines.

The Model S is actually Tesla's second electric car, the first one being the small and lithe Roadster sports car. But Tesla needed to create a more practical – and profitable – model. Enter the Model S, a full-size, five-door hatchback assembled in Tesla's factory in Fremont, California.

The body style echoes the contours of its Teutonic rivals, Mercedes Benz and BMW – about the only thing the Model S shares with its internal-combustion engine counterparts. Almost everything else—from the featureless key fob to the humongous touch-screen center console—is unique to the car.

Propelling the Model S is an electric motor mounted directly behind the rear axles, delivering an output equivalent to 416 horsepower (hp) and 600 newton meters (Nm) of torque. Paired to an 85 kilowatt-hour (kWh) lithium-ion battery, the Model S has an estimated range of 480 (km) when driven at an average speed of 90 kilometers per hour (kph), and can accelerate to 100 kph in 4.2 seconds before it reaches its top speed of 210 kph.

Depending on the type of charger used, the charging time for the Model S ranges from six to 15 hours for a 300-km charge. With the Model S, Tesla's Supercharging feature though, a 240-km charge can be reached in only 30 minutes. Owing to the high efficiency of

electric cars, a full charge for the Model S, at Php 12/kWh, is just Php 936.

The advanced features of the Model S isn't limited to its powertrain and battery system though.

The car's proximity sensor detects the key fob in your pocket; even as you approach it, the car automatically unlocks and the chromed door handles, flush with the door surface, extends outward for you to open the door. The key fob shares the same silhouette as the Model S, and acts like a digital voodoo doll. Press the back end of the fob and the car's hatchback lid opens. Press front end and the hood pops up. Press down on the roof, and all four windows roll down.

Inside, the dashboard is covered with tech. The center console is dominated by a huge, 17-inch liquid crystal display (LCD) touch screen, giving you entertainment, navigation, mobile service (there's a SIM slot!), and the weather. Even the instrument panel has been replaced with a 12.3-inch LCD screen, displaying speed, power usage, battery level, and estimated range.

Despite all the excitement generated though, we'll have to wait until the Land Transportation Office figures out a way to register the Tesla S; it doesn't have an engine number to put on the registration papers.

Let's just hope it won't be too long a wait. This baby is bound to electrify the ride of a lot of potential buyers. ⚡



WORDS BY PATRICK TADEO



BRIGHTER NORTHERN LIGHTS

Enhanced 115kV line boosts capacity in Valenzuela, Bulacan

Among the victims of the recent floods plaguing Metro Manila have been the residents and factories of Valenzuela, and in Bulacan, especially because their power supply is frequently interrupted when the waters rise.

To ensure that northern corporate clients like SM Prime Holdings Inc. (SM Marilao), Hal-Rey Ice Plant, Zesto Corp. and Vitarich Corp. enjoy more reliable electricity, the Manila Electric Co.'s (Meralco) newly-commissioned Duhat-Saog 115-kilovolt (kV) line came on line, providing dependable power for the northern tip of Meralco's franchise area.

The new Saog substation now has three 115kV lines with the completion of Duhat-Saog, Sta. Maria-Saog, and Veinte Reales-Saog. Two Saog distribution feeders were also commissioned, augmenting and optimizing the capacity of the Saog substation. Meanwhile, these upgrades mean that the flood-plagued Bocaue substation can now be decommissioned. ⚡

COCONUT BEYOND THE

CAIP chief operating officer Evelina Patiño has her eye on reviving the country's oleochemical industry

By Jing Lejano

There seems to be no stopping the Philippines these days. In the first half of 2013, the P6-trillion economy grew by 7.6 percent, outpacing even China. While the outlook for the rest of year remains positive, many believe that for this growth rate to be sustained, it is time for government to focus its attention on the manufacturing sector.

Evelina L. Patiño, chief operating officer of the Coccochem Agro-Industrial Park (CAIP) says: "The Philippines should really look into the manufacturing industry." She cites in particular the high revenue potential of the oleochemical industry. By converting coconut oil into higher value-added products, oleochemical manufacturers will not only contribute to the gross domestic product, they will also provide employment to skilled workers and boost the income of coconut farmers. The Philippines after all is the world's second largest coconut producing nation. As Patiño puts it, "what else is there but coconut?"

A STRATEGIC LOCATION

Spread over 42 hectares in the municipality of San Pascual, Bauan, Batangas, CAIP is a special economic zone most suitable for locators involved in the processing of coconut oil. Patiño says, "conceptually, this was really built as an economic zone for the downstream consumption of coconut oil, so it's really (about) coconut-based derivatives, converting coconut oil into other higher value-added products."

Apart from enjoying a range of fiscal and non-fiscal incentives like income-tax holidays from four to six years and exemption from duties and taxes on imported capital equipment, locators also benefit from the deep port of Batangas Bay.

"We have our own pier - it can receive bulk vessels, so if you're a company involved in shipping in or out liquid cargo then this would be an ideal location. At the same time, we are close to the Batangas International Container Port. If you have any exports of dry cargo and containers, this will also be ideal," she explains.

Manpower is also readily on hand and if there is ever a need for locators to expand -

there is still land available in the area.

Presently, CAIP has five locators: Stepan Philippines Inc., Sakamoto Orient Chemical Corp., Manila Refining Corp., San Pablo Manufacturing Corp., and United Coconut Chemicals, Inc. (Coccochem).

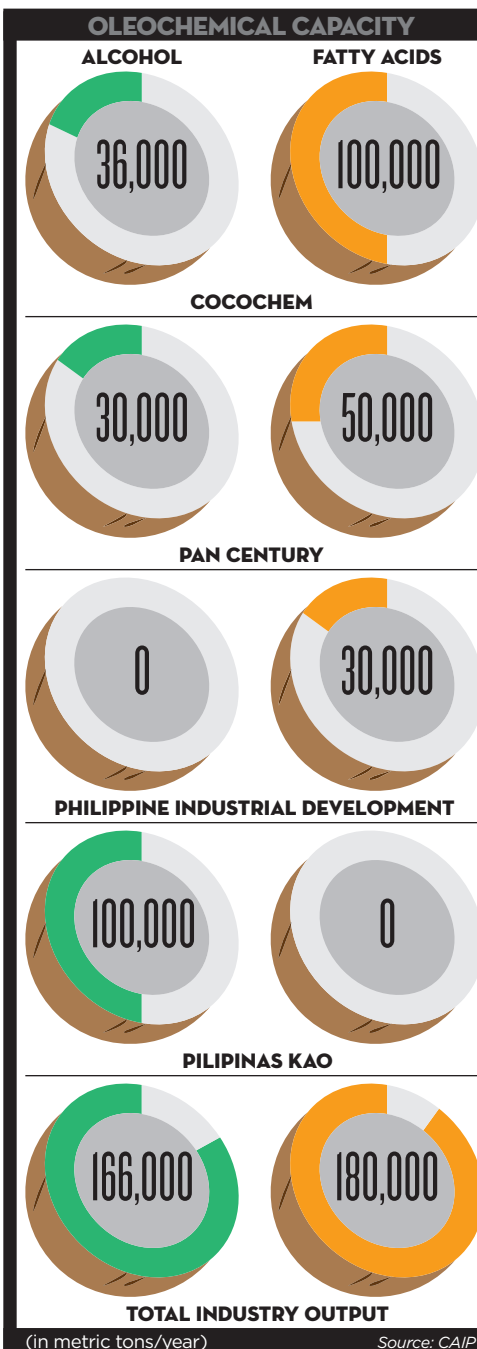
An American enterprise, Stepan Philippines converts fatty alcohol into surfactants used in shampoos and detergents; and fatty acids into esterquats, which are ammonium compounds used in fabric softeners and hair conditioners. Sakamoto Orient manufactures refined glycerine, and polyglycerides, an emulsifier, for export to the Japanese market. Manila Refining refines coconut oil and palm oil for the local food industry. San Pablo Manufacturing is the company behind the successful "Minola" brand cooking oil. Coccochem was the country's leading manufacturer of oleochemicals, but the need to rehabilitate its aging facilities forced it to shut down in 2012.

Nevertheless, the four remaining locators are doing good business, enjoying all the benefits which attracted them to Batangas in the first place. It helps as well that CAIP is working proactively to provide more benefits for its locators. Patiño says: "We have been able to put together this deal with (the Manila Electric Co.), where the agreement we have has given savings to the locators. They are happy that CAIP is continuously looking for ways to make business better for them."

She adds that Meralco is in the process of acquiring the 69-kilovolt line that connects CAIP to the National Grid Corp. of the Philippines. Once completed, the line will enable Meralco to deliver more stable and reliable power to CAIP, which in turn will make the industrial park much more competitive and more attractive to prospective locators.

"We feel that Meralco has been in the power business for such a long time, so that they will be able to maintain the transmission lines and improve on it. So we think that it will be more reliable than it has been in the past," says Patiño.

CAIP's power requirement is currently pegged at five megawatts. Another locator is set to come in soon. Should there be any need for more power, Patiño says:



"There are things that we can work with Meralco together. We're happy that we're in partnership with Meralco because they are knowledgeable about power. Any plans we have of securing power for CAIP, we'd like Meralco to be part of it."

ON REHABILITATING COCOCHEM

While everyday operations at CAIP are running very smoothly, Patiño wants this special economic zone to get even busier in the near future. "What I'd like to see is that this really becomes a center for the downstream utilization of coconut oil. Coconut oil is our largest export as far as agricultural products is concerned. I'd like to see that this coconut oil is converted into specialty chemicals, high value specialty chemicals for cosmetics, detergents, etc. Our products could even go into mining and construction applications to really add value

to coconut oil. That's my vision."

Crucial to achieving this vision is the rehabilitation of Coccochem. In the '80s, it was the industry standard for the cocochemical industry, exporting high quality cocochemicals worldwide. Unfortunately, a series of unfortunate events led to Coccochem's current state of disrepair. This issue urgently needs to be addressed if it is to be competitive with oleochemical producers not only in Southeast Asia, but also in Germany, Netherlands, the US, Brazil, and South Africa.

It's not only Coccochem which is in need of rehabilitation; coconut farmers also need to be taught ways to make their farms yield more crops, and the government needs to throw in its support. "If you develop your oleochemical industry together with your coconut industry, you have the potential of providing a solution to the poverty among farmers. The productivity of coconut trees now is 800 kilos of copra per hectare. Potentially, you can increase that to 4 to 6 tons, so almost 5 to 10 times. If you just plant the right hybrid, there's a big potential to improve coconut productivity," says Patino.

THE SUSTAINABLE ADVANTAGE

Today, Patino is currently in talks with interested investors to help rehabilitate Coccochem; she wants to get the plant back on its feet as soon as possible.

"As far as the oleochemical industry is concerned, it is a growing industry worldwide, mostly supplied by Malaysia and Indonesia because they have palm oil. But there is a sustainability issue with palm oil because whenever they expand palm oil plantations, they have to cut down forests, and of course, the habitat of the orangutan and other animals is destroyed. Customers in the West are becoming concerned about the effects of the expansion of the plantations into the forests," she explains.

This has led to a renewed interest in coconut oil because of its sustainability; it presents a golden opportunity for the country to become a major player in the oleochemical industry. It's important to note that the oleochemical industry provides the highest value for coconut oil. Patino says coconut water is just a fraction of the added value for specialty chemicals, adding, "some of the specialty cocochemicals go as high as \$4000 per ton."

The demand is certainly there. Global demand for fatty acid is estimated to rise at 2-3 percent annually, while fatty alcohol demand grows 3-4 percent yearly. Aside from Japan, Coccochem is expanding its markets in South Korea, China, Taiwan, New Zealand, Australia, the US, and Europe. The trend for sustainable products across Europe and the US makes coconut-derived oleochemicals a far more desirable alternative to palm-based products.

Meanwhile, local consumption of coconut oil for cooking and food production remains strong, but demand for biodiesel (methyl ester) is projected to further rise when the mandated blend of biodiesel in diesel rises from 2 percent to 5 percent.

If the Philippines is to become a major player in the global oleochemical industry, it's time to plant the seeds for its growth right now. 



DIVERSIFICATION PAYS OFF FOR IMI

Moving up to become a global leader in electronics manufacturing services

By Jing Lejano

For Integrated Microelectronics Inc. (IMI), the vagaries caused by the global economic downturn which began in 2008 have given the Ayala Corp. unit its share of ups and down.

But IMI President and Chief Executive Officer Arthur Tan isn't about to leave any of his company's fortunes to luck.

IN THE FACE OF ADVERSITY

To be sure, IMI is no stranger to market swings. About 12 years ago, the company also wasn't in such a good place. Apart from the fact that it was only operating in the Philippines, it was also only catering to one market, the Japanese. If the Japanese were then to turn their sights on another electronics provider, IMI would be left with, well, nothing.

Diversification, thus, became Tan's battle cry when he took on the reigns of the company. In order for IMI to be more competitive, he says, it needed to look for other countries to operate in, as well as other markets to sell their goods to.

In 2005, Tan made his first move: IMI acquired the assets of Saturn Electronics Corp., an American company with operations in the United States and a manufacturing facility in Cebu. He says: "Overnight, we were able to start attracting business because we had capabilities that IMI never had. We started attracting products outside of the standard PC market that required that technology."

Around the same time, IMI also got a development team running in the US, whose sole purpose was to design new manufacturing processes. "At that time, all we had to do was wait. Whatever they

wanted us to build we could build, if they taught us. If they are not going to teach us then we don't know how we can do it. I wanted to be the one to teach. I wanted to be the expert," he recalls.

COVERING ALL THE BASES

In 2006, Tan made another acquisition; this one more significant than the last. It bought Speedy-Tech Electronics Ltd., a publicly-listed company in Singapore with operations in China. Practically overnight, IMI was operating in China, Singapore, the Philippines, and the United States, offering a more diverse range of products backed by strong design capabilities.

"We started doing well. We started changing the PC business. Japan became a smaller percentage of our business - not because it was shrinking, it's just that we became bigger. Huawei, the largest Chinese telecom company, became our number one customer in China. We started growing. We felt that by 2010 and 2011, it

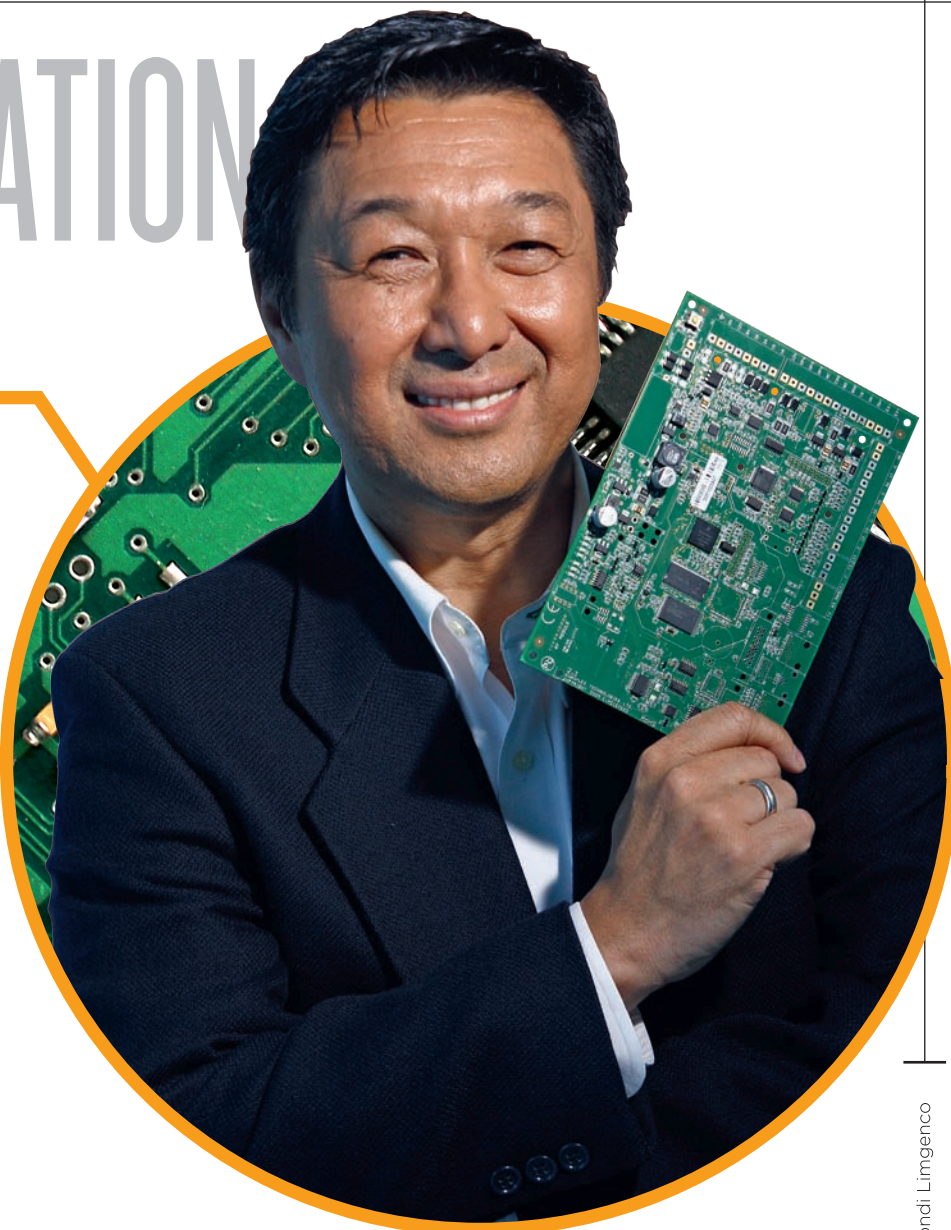
was time to go take the next step again. So from a regional player, we decided we wanted to be a global company. In 2011, we finished the transaction of acquiring the Epic assets in Bulgaria, Czech, and Mexico. So now, we operate here, in Singapore, in China, in Mexico, in the United States, in Czech Republic, and Bulgaria."

This year, the company is allocating \$18 million in capital expenditures to expand regional operations.

"We are aggressively pursuing opportunities to increase both revenues and profit margins as we leverage our broadened geographic presence and expanded capabilities," Tan says. "Our diversification strategy is doing us good in these volatile times."

In the first half of 2013, company revenues rose nearly eight percent to \$350.46 million "due mainly to the company's strong business expansion in Europe, Mexico, and the Philippines."

Although sales were still sluggish, IMI's



China and Singapore operations accounted for 35 percent of the total first-half revenues or \$122.2 million.

Operations in Europe and Mexico recorded combined revenues of \$117.1 million, surging 37 percent year-on-year “due to the continued expansion of the company’s automotive business,” Tan adds.

Even revenues from IMI’s Philippine operations were on the upswing, growing 11 percent to \$88.4 million on the back of strong programs in the computing, consumer, and industrial segments.

These moves have paid off well.

Last April, IMI was named the 20th largest electronics manufacturing services (EMS) provider in the world in terms of revenues by Manufacturing Market Insider, a US-based EMS trade publication. IMI was previously ranked 24th.

Critical to IMI’s profitability and long-term performance, however, is the cost of power.

THE ENERGY TO SUCCEED

Tan explains: “Of all my sites (I have 16), the Philippines has my highest power cost, but that’s endemic to the country. That’s not because of Meralco (Manila Electric Co.), which is not fair because the other countries also have high energy costs, but they subsidize it because they want their country to be competitive. And they do it selectively. They don’t do it for everybody. They just say I want to be competitive in manufacturing so all manufacturers are subsidized. That’s the part that’s missing.”

Indeed, while IMI as a whole has been growing, its plant in Sta. Rosa is actually underutilized. He says, “we actually shrunk, unfortunately, because of the dynamics of the country. We are not putting focus on the manufacturing where we should be. We actually shrunk from our peak. We were at one time almost 12 megawatts. We’re running at about seven (megawatts) right now.”

Fortunately, Tan says its relationship with Meralco has been very good. He says, “we just started a new phase with the new owners. The expectation is that Meralco will continue with this proactive mindset of supporting the business especially in manufacturing because we are not competing with somebody down the road. We’re competing with somebody from another country. That’s the challenge of manufacturing. So you need partners to look at the business in that manner, from a global perspective, even though you’re competing locally.”

Meralco’s role in IMI’s futures success will be continue to be important, given the latter aims to hit \$1-billion revenues by 2016. Aside from serving more firms in the mobile, consumer digital, automotive, a aerospace, infrastructure, power and healthcare sectors, IMI also seeks to recapture the Japanese market, which is gradually turning away from China.

The return of the Japanese market to the Philippines, in itself, would be a boost to the entire electronics and semiconductor industry. It will also represent a challenge for the entire power industry, which will need to have the infrastructure and long-term investments in future energy sources to meet projected demands.

In addition, companies like Meralco will need to do more, like offer ancillary engineering services that can speed up plant electrification and streamline manufacturing processes.

ON TO THE NEXT STEPS

Moving forward, the firm is banking on better performance in Europe and North America, as their respective economies recover.

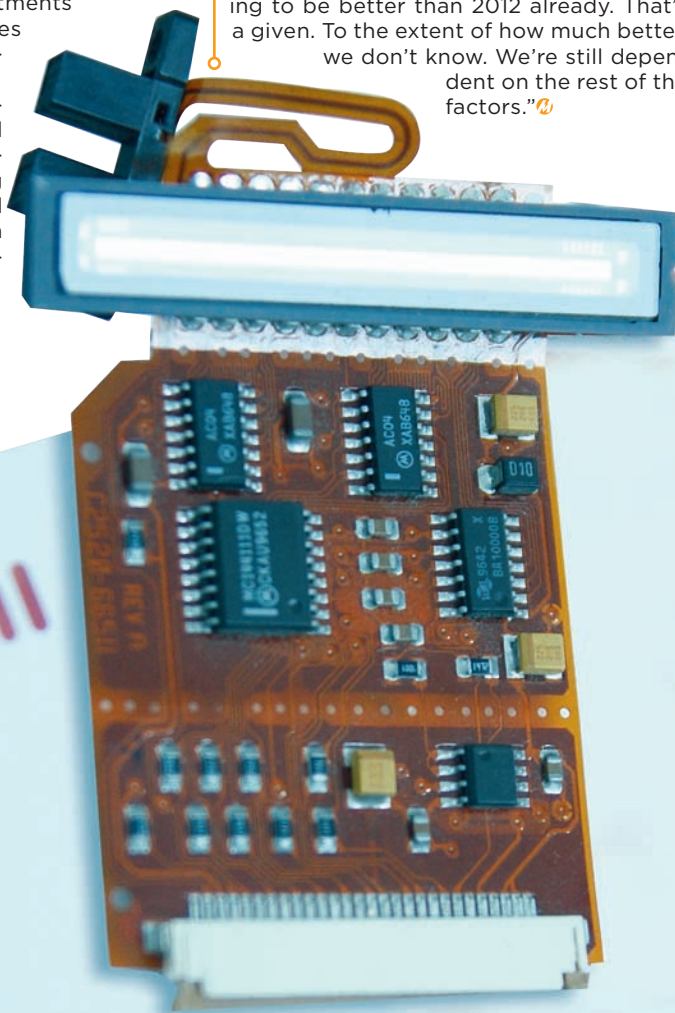
“While we are affected by the slowdown in China, we take advantage of opportunities in regional manufacturing in North America and Europe,” Tan notes.

For instance, IMI continues to expand its operations in Bulgaria and Mexico to accommodate additional orders from its customers in the automotive sector.

With its revitalized design and manufacturing capabilities, IMI has been able to attract long-term contracts in the automotive, industrial, and telecommunications markets. At the same time, it is strengthening its capabilities in building high value niche products like CT scan sensors and automotive camera systems. Tan explains, “Those are the types of products that we’re aspiring to build and bring back here. It’s not the ones that are cheaper. It has to have higher quality, has to have rigorous requirements, products have to be very high in value.”

Tan says: “We feel that our 2013 is going to be better than 2012 already. That’s a given. To the extent of how much better, we don’t know. We’re still dependent on the rest of the factors.”

“YOU HAVE TO BE AT LEAST EQUAL TO WHAT YOU ARE COMPETING AGAINST FROM DAY ONE.”



THE FIRST STILL DOES IT BEST

By Alena Mae S. Flores

The pioneer in outsourced payment services isn't content to rest on its laurels.



A regular housewife paying her family's electricity bill. A mobile service provider collecting payments from customers all around the country. An OFW or entrepreneur, looking to start a new business. A local grocery store owner wanting to add a new service.

The link that binds all of the above, together with the millions of Filipinos here and abroad, and over 170 top corporations and major institutions nationwide, is CIS Bayad Center Inc.

A pioneer in outsourced payment collection, Bayad Center has continually grown to be the most reliable and trusted collection agency in the country. The company services a wide variety of businesses, from basic utilities like electricity, water, telecommunications, cable and Internet services. It has also partnered with various corporations like financial institutions, as well as government and schools.

"The fact that 170 billers trust us with their collections, is a testament to the integrity of our system," says Bayad Center president Manny L. Tuason. The company built its reputation by simply addressing the Filipinos' need for over-the-counter payment transactions that are *Mabilis*, *Malapit at Sigurado* (speedy, convenient and secure).

ONE-STOP SHOP

According to Tuason, the Bayad Center business model – the first of its kind in the Philippines – is the key to the company's success. On the customer front, it's a one-stop shop to pay bills, receive money from abroad, and receive applications for cable and internet services, mobile postpaid lines, loans, and credit cards. On the enterprise side, it's a collection office and customer touchpoint with over 3,000 branded stores and partner sites spread all over the Philippines. It's also a profitable franchise partner that creates opportunities for SMEs and other businesses.

Launched in 1997, Bayad Center was initially a division of the Manila Electric Co.'s (Meralco) information technology subsidiary, Corporate Information Solutions Inc. (CIS). The growth of the company was further accelerated when Meralco became part of the Manuel V. Pangilinan (MVP) Group of Companies.

"As with many successful ventures, the branded payment collection service (Bayad Center) was spun-off to what is now known as the premier payment collection company in the country - CIS Bayad Center, Inc.," says Tuason.

With Meralco's backing, Bayad Center "has made payment transactions borderless, not only in the Philippines", but also for overseas Filipino workers across the globe. It has partnered with eight of the biggest remittance centers, including top players Transfast, MoneyGram, Xoom, and BDO Remit.

Outsourcing to Bayad Center allows billers like utility companies to speed up revenue inflow with minimum overhead, no capital expenditures for facilities and

equipment, and virtually no additional staffing. A one-time accreditation fee instantly expands their presence to hundreds of towns and cities around the country. Aside from increasing customer satisfaction, it also improves brand awareness and prestige. Ultimately, it lets billers focus more on their core businesses and streamline their operations.

ADDED BENEFITS TO BILLERS

Tuason adds that benefits to biller companies that utilize Bayad Center's services are "substantial."

"Immediately, Bayad Center provides nationwide reach without the need of heavy average daily balance deposits as compared to banks. Second, many sites of Bayad Center operate longer hours, and even through weekends. Also, Bayad Center offers customized collection services other than regular bills," he explains.

Biller clients represent only one side of Bayad Center's corporate partners; the other side is represented by the major establishments collecting payments using the Bayad Center payment collection system.



"People are not aware that when they pay their bills in Robinsons Department Stores and Supermarkets, LBC, or even Western Union outlets like USSC (Universal Storefront Services Corp.), eBiz (eBusiness Services Inc.), and Petnet, their payments pass through the Bayad Center system. This payment network provides these establishments instant access to over 170 biller partners, so they don't have to put up their own payment collection system," says Tuason.

"While these corporate partners extend our footprints nationwide, we also have more than 300 branded stores in the Meralco franchise area – consisting of both company-owned and franchised outlets" he adds.

As a Bayad Center outlet, partners and franchisees earn through a fixed service fee from every payment transaction. And because they are not bound by exclusivity restrictions, franchisees with existing businesses (e.g. a mall or supermarket) can offer Bayad Center alongside their other services. Aside from providing additional revenue, it also assures more customer traffic to their establishments.

EXPANSION VIA FRANCHISING

Like any proven franchise business, Bayad Center provides all its franchisees with solid support in terms of training, facilities, enhancements, branding and market communications. A member of the Association of Filipino Franchisors, Inc., and the Philippine Franchise Association, Bayad Center recently bagged an award for Best In Franchising Support by Entrepreneur Magazine.

Bayad Center also offers its partners much room for growth and profitability. An additional 1,000 franchised outlets are expected to be in place all over the country over the next three years. In addition, the company is set to provide even greater convenience to its customers, by becoming a multi-platform payment center. A recent partnership with Smart eMoney, Inc. (a subsidiary of Smart Communications) will enable consumers to pay their bills online or through mobile phones.

This combination of a proven and tested business model, aggressive branch expansion and consistent service improvements have put Bayad Center at the top of its game. The company has consistently grown its topline each and every year, with a compounded annual growth rate of 22 percent over the past years.

"Every five years, we double our topline and bottom line," says Tuason.

"Although, CIS Bayad Center Inc. is not a financial powerhouse as compared to its parent (Meralco), Bayad Center has consistently delivered its income targets and commitments, and is currently one of the highest-earning subsidiaries of Meralco."

Tuason concludes: "We are the pioneer in outsourced payment collections in the country. There have been many who have tried to copy and replicate our model but none can come near the network and the volume of transactions we make today."

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