

POWERCLUB

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BRUSHES WITH CREATIVITY

MoneyGram PHL chief
Alex Chan Lim
keeps an ancient art alive
in the 21st century

CALLING FOR BOOMS

The burgeoning
BPO sector's impact on
the real-estate market

GIVING STRUCTURE TO INFRASTRUCTURE

A look at companies supplying
the minds, muscle and materials
that bring PPPs to life

COVER STORY

PUSHING FOR PPPs

Metro Pacific Investments Corporation
seeks firm commitments
on public-private partnerships

JOSE MA. K. LIM
President and CEO
MPIC

Building For Everyone



ALFREDO S. PANLILIO

Senior Vice President and Head,
Customer Retail Services and
Corporate Communications

Improved infrastructure does more than move people, goods, and services quickly; it can promote both a higher standard of living and large-scale social change. Far-flung communities can access better health services, education and utilities, and new ideas and improved methods gain better exposure.

Companies like MPIC work around the clock to build the roads, power plants, water plants, and telecommunications networks that enable Filipinos to work, and live, for the better. But these require an extensive ecosystem of public and private stakeholders, contractors, and suppliers. Construction firms such as DMCI and EEI Corp. provide the know-how and the sinews to raise bridges and extend roads, while manufacturers like Capitol Steel Corp. literally create the building blocks of everything we travel on, over or through.

Their challenges range from frequent shifts in government policies to securing price-stable raw materials. However, the Duterte administration is determined to push critical infrastructure projects, and this keeps stakeholders optimistic.

With good infrastructure, the Philippines can expect to be both more productive and competitive, and attract additional foreign direct investments such as business process outsourcing companies. The BPO industry expanded rapidly over the past decade to include services like medical transcription, software development, financial services, and human resources functions. Its accelerated demand for office space and techno parks ironically places greater pressure on available infrastructure.

Yet building more is not the sole answer. Where we build must be considered as well, to ensure that all communities in the country can participate in the national, and even global, economy.

A PASSION TO DO BETTER



VICTOR S. GENUINO

Vice President and Head,
Corporate Business Group

As government and corporations seek ways to move big public-private partnership projects ahead, companies like Meralco ensure the existence of proper infrastructure so we can better serve our customers. It's all part of our customer-focused mission to provide our corporate partners not only electricity, but also value-added energy solutions and services.

Through our Electric Distribution Development Office we reach customers beyond our franchise areas, like public ecozones such as the Cavite Economic Zone (CEZ), which are operated by the Philippine Economic Zone Authority. We supply regular, stable power for the many factories in these ecozones, but are also challenged to make the country more attractive to foreign investors.

One such investor is Hayakawa Electronics Philippines Corp., among the first CEZ locators. Its single plant with 24 employees within the zone grew to three factories and five companies that employ 2,500 Filipinos, a growth that Meralco is proud to have been part of.

However, a company's success isn't just about increased output, but a reflection of the state of mind among people at the top. Take Alex Chan Lim, head of the remittance company MoneyGram Philippines, who finds ideas and inspiration outside the confines of the boardroom. I admire CEOs whose hobbies are removed from their line of work. It's not about seeking escape but about gaining insight, and discovering better ways of doing things.

More importantly, pursuing a passion requires discipline, a virtue also vital to growing any business.

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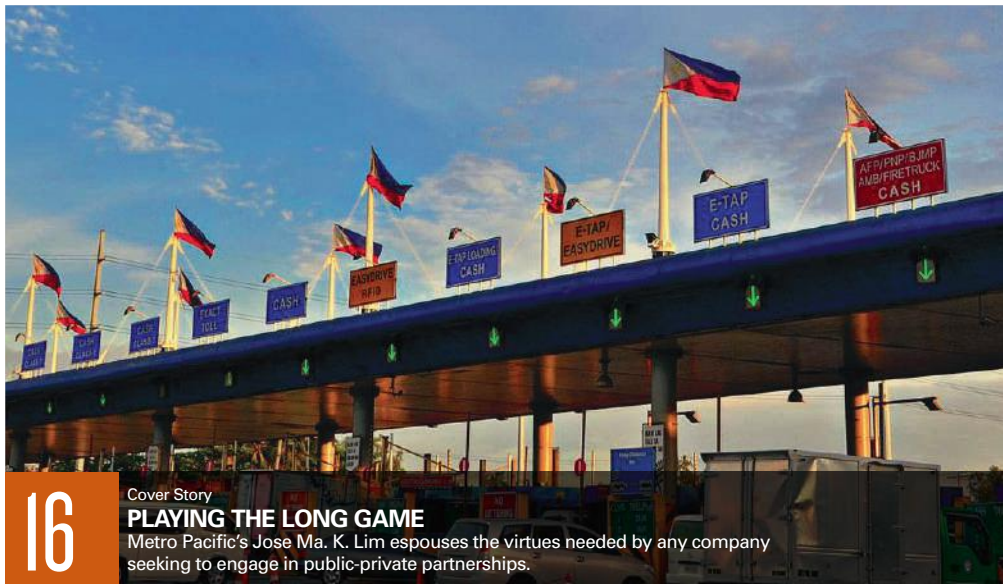
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Erratum:
In the Analysis story, "Business Under a New Administration" (Q3 2016 issue) of the Meralco Power Club, the flags of China and Hong Kong on page 7 were interchanged in the infographic.

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Spaces to Grow

BY MA. MELIN C. Y. DORIA

The property market ramps up for the BPO industry's bullish demands and Roadmap 2022.

It's a visible manifestation of the Philippines's vibrant economy: hundreds of thousands of young men and women swarming into state-of-the-art buildings at all hours of the day, all part of the multibillion-dollar business process outsourcing (BPO) industry.

Such is the strength of this sector that its revenues were forecast to have reached US\$25 billion (P1.21 trillion) in 2016, and was close to overtaking remittances from overseas Filipino workers, which grew to US\$25.77 billion (P1.24 trillion) in 2015.

Benedict Hernandez, chairman of the Executive Committee of the Information Technology and Business Processing Association of the Philippines (IBPAP), weighs in. "With about US\$24 billion worth of revenues so far, we must make sure that we continue to be competitive and grow our business," he underscores, "so we can create more jobs. That is about 100,000 new jobs a year."

He points out that the employment generated by the BPO

industry impacts other sectors of society with a multiplier effect: "For every direct [BPO] employee, we have four indirect jobs created in other industries – transport, food, retail, and real estate – that grow around the business."

Need for space

With a large, English-speaking population and service-oriented culture, the country has long been a preferred destination for international locators. The first international call center, Accenture Global Resource Center, opened here in 1992.

The BPO industry has come a long way since then, and so has the real-estate sector. Hernandez recalls that 15 years ago, there was a need for property developers to understand the 24/7 nature of the business, the high density-per-floor requirement, exit requirements, and the need for telecommunication to be integrated into the building plans.

Today, a typical BPO company employs around 1,200 people, requiring some 6,500 square meters (sqm) of office space. With the combined workforce currently at 1.3 million, the BPO industry occupies approximately 6.4 million sqm of office space.

"We have been doubling in size every six years, but the highest growth rate actually happened between 2000 and 2004," explains David Leechiu, chief executive officer of Leechiu Property Consultants. "We were coming from such a small base of 1,000 people to 60,000 in a year. We first hit 500,000 in 2010."

He foresees a gradual rise as more companies begin setting up operations offshore in the Philippines, adding that the



Benedict Hernandez

Chairman,
Executive
Committee,
Information
Technology
and Business
Processing
Association of
the Philippines

'For every direct [BPO] employee, we have four indirect jobs created in other industries.'



A typical BPO company employs around 1,200 people, requiring some 6,500 sqm of office space. With the combined workforce currently at 1.3 million, the BPO industry occupies approximately 6.4 million sqm of office space.

BPO industry aspires to grow to 2.6 million people by 2022. This will require some 12.8 million sqm of space, a challenge for which the real-estate market needs to prepare.

In Manila, office rent ranges from P500 to P1,200 per sqm; in the provinces, it varies from P250 to P400 per sqm. This translates to a monthly rent of between P2 million and P8 million for one office location.

“Despite the massive space the BPO industry occupies,” Leechiu says, “their next biggest expense after labor is not rent: it is power.”

In 2015, for example, the SM Group’s corporate office building in Pasay City consumed an average of P2.4 million per month in electricity. Monthly averages reached P1.8 million at the SM Cyber 2 building in Makati; and in Alabang, Muntinlupa City, about P3 million at the 12-story Aeon Prime building and P2.2 million at the Filinvest Cyberzone.

Although not direct customers of the Manila Electric Co. (Meralco), these corporate offices receive support from Meralco through regular Energy Efficiency forums provided for the engineers and tenants of these buildings. The forums share power-saving tips and explain the breakdown of the electricity bill.

Out of Manila

The BPO industry, ironically, turned Metro Manila into a victim of its own success. The National Capital Region comprises about 70 to 80 percent of the footprint of the outsourcing business. This volume, however, is straining the infrastructure that attracted BPOs in the first place.

“We only have a population base of 12 to 15 million,” Leechiu stresses. “Tokyo, one of the largest cities in the world, has a population base of close to 40 million, yet you don’t feel the traffic because it has amazing infrastructure.”

The BPO footprint alone, he emphasizes, is not the cause of Metro Manila’s congestion but also its so-called land lock,

PHOTOGRAPHY BY JUN PINZON GROOMING BY FENNIE TAN



IBPAP desires to create a vigorous and globally competitive BPO industry with Roadmap 2022, a six-year plan to foster countrywide development, a sustainable supply of world-class employees, and an increasingly favorable business environment.

caused by informal settlers, restricted land use, and a mass-transport system unable to alleviate traffic problems.

"Part of it is poverty," reflects Leechiu, "and part of it is the need to fix what we neglected for 30 years. The challenge for the country is not just how to build infrastructure, but how to deliver the labor pool so that we can generate qualified and employable graduates."

Despite these difficulties, BPO companies will continue to flock to Metro Manila until other regions can mobilize their untapped potential. Leechiu enumerates the attributes that provinces must cultivate to attract outsourcing businesses. These include a sufficient talent pool; political support for the BPO industry; an adequate fiber-optic infrastructure; site resilience to natural calamities; access to local transport systems; and safety.

He believes shifting BPO companies to the provinces and developing the property markets there is the easy part. The real challenge lies in developing and sustaining a labor pool that can meet strict global standards.

Securing government support

To help create its world-class talent pool, IBPAP works hand-in-hand with the Commission on Higher Education, the Technical Education and Skills Development Authority, and the Department of Education in developing industry-relevant subjects and courses.

"We are always in discussions with lawmakers and the

executive departments on many things," Hernandez shares.

"We work with them on trade promotion, and on hosting prospect locators with outbound missions. We work a lot with the education and training agencies of the government, we work on policies and around any issues that might impact our industry."

A concern is President Rodrigo R. Duterte's declaration of "economic separation" from the US, the main source of BPO investment.

This caused a stir in the local business community, although Hernandez is quick to say that, "In reality it is business as usual. Our companies and employees continue to run as normal."

He also points out that IBPAP's partnership with several government agencies, including the Departments of Trade and Industry, of Information and Communications Technology, and of Finance, continues to be strong and consistent.

The Philippines's first domestic call center was established by Meralco back in February 1973. Meralco continues to be an active member of IBPAP.

Investing ahead

To help ensure the uninterrupted growth of the BPO industry, IBPAP has created Roadmap 2022, a comprehensive six-year plan that looks at challenges and opportunities, and seeks to nurture the industry's needs in the areas of education, business environment and countrywide development.

The road map also places the emphasis on investing in the Philippine brand and its competitiveness in the world market. "The developers put in US\$100,000 (P4.8 million) each,"

Leechiu reveals, “raising US\$1.1million (P53.04 million) to sponsor and fund Roadmap 2022.” These developers include Ayala Land Inc., Double Dragon Properties Corp., Federal Land Inc., Filinvest Development Corp., Globe Telecom, Leechiu Property Consultants, Megaworld Corp., PLDT, Property Company of Friends Inc., Robinsons Land Corp., and SM Prime Holdings Inc.

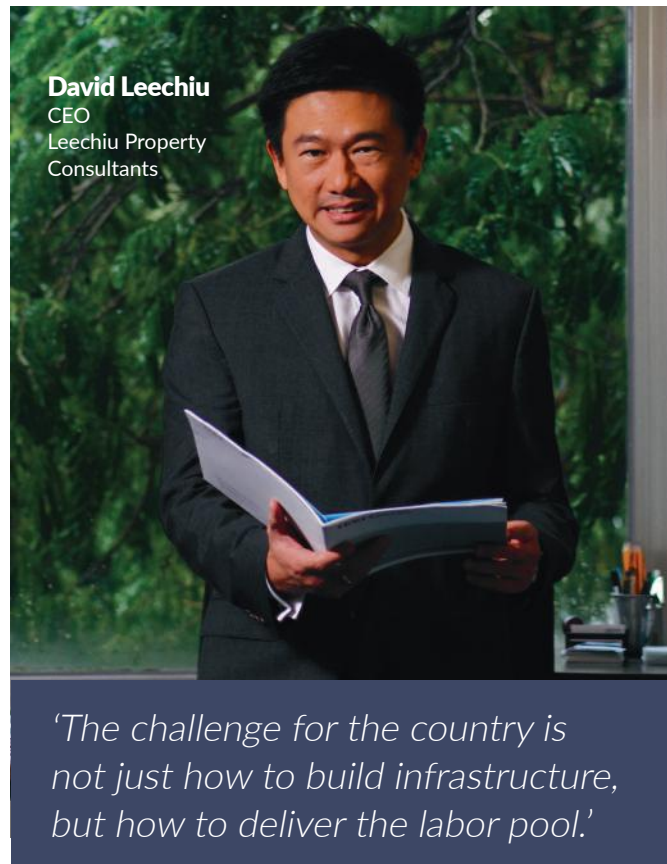
“They are all competitors,” he says, “but they are all working together to make sure the BPO industry remains viable.”

Hernandez emphasizes the importance of unified action to meet the challenges ahead. “Our collaboration and partnership will remain key to realizing the new roadmap ambitions, especially as we focus on more countryside development.”

He is also confident that, even with the industry’s rapid growth, “there is a good balance of supply and demand.” Concerns regarding over-construction and an oversupply of office space are why developers have become members and strong advocates and supporters of IBPAP.

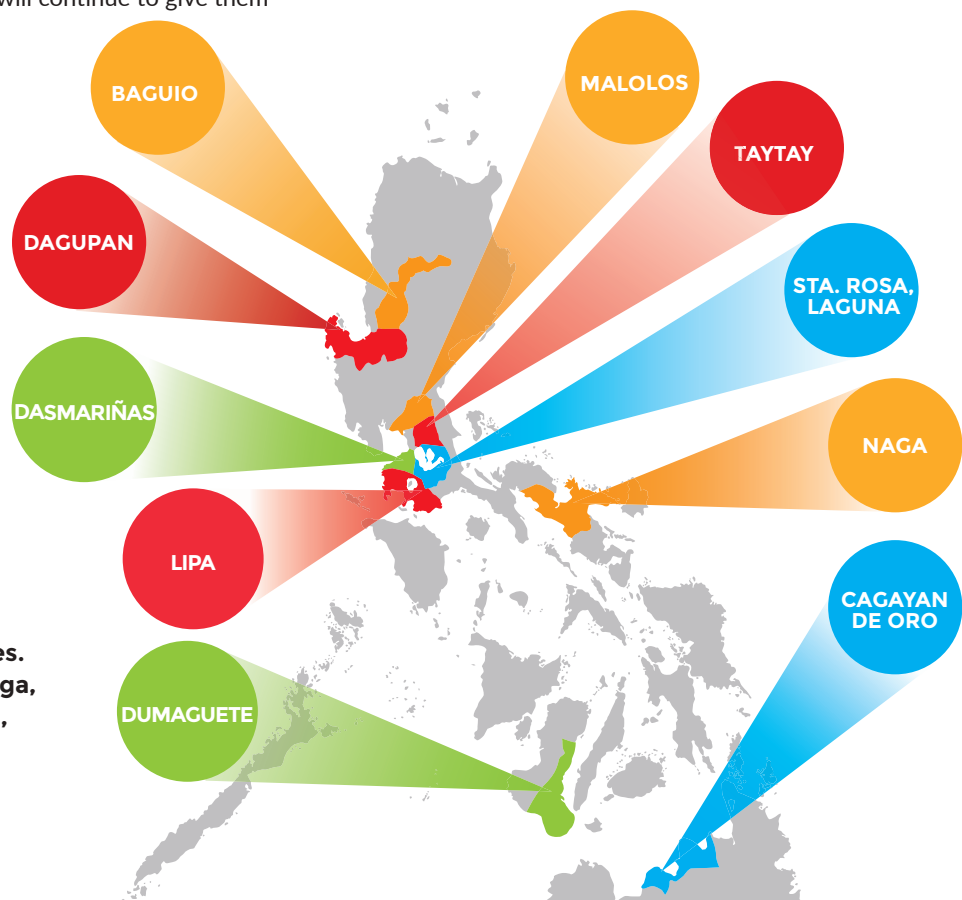
A sense of urgency, Hernandez maintains, is needed. “The opportunity for this industry is ours to lose,” he admits, “because the demand has been there and is still there, and will continue to be there. We must continue to improve the way we train and educate our most important asset, our human capital.”

At the end of each shift, BPO employees stream out to fill coffee shops and restaurants, shop at boutiques, and chill out at malls. They get new gadgets, buy cars, and invest in the many condominiums sprouting near their offices, confident that their jobs – and their industry – will continue to give them a higher standard of living. 🍷



THE 10 NEXT-WAVE CITIES FOR BPOs

These cities have been called out and are starting to get action and become more prominent.



Ten more locations have been identified as new emerging cities. These are Balanga, Batangas, Iriga, Laoag, Legazpi, Puerto Princesa, Roxas City in Capiz, Tarlac, Tuguegarao, and Zamboanga.

source: Information Technology and Business Processing Association of the Philippines

A stroke of genius

BY ANGELO G. GARCIA

MoneyGram Philippines country manager Alex Chan Lim shares how Chinese painting helps him grow his business.

In a studio tucked within a Pasig City subdivision, Alex Chan Lim teaches a group of professionals, retirees, and students the art of traditional Chinese painting. Furnished with the tools of the craft, he dips a black inkstick in water and, in a circular motion, slowly grinds it on an inkstone. It yields a puddle of dark liquid that he uses to paint on rice paper. Following his lead, his students wield bamboo brushes and

watercolor palettes to paint in rhythmic patterns. Stroke by stroke, they evoke delicate flowers, breathtaking landscapes, lively animals.

Despite his busy schedule as the country manager of MoneyGram Philippines, Lim does this every weekend afternoon with about

10 students, most of whom he has mentored for years. His Chan Lim studio, named after his father, opened six years ago to impart an appreciation for traditional East Asian art. Lim and his protégés travel the Philippines and the world to share this venerable craft with the public through a series of exhibits and free lessons.

Pupils of every age

Watching his father, a master in oil painting, at work, Lim nurtured a love for Chinese painting that blossomed when he was 11. His parents urged him and his brother Felix to take up traditional Chinese painting under the tutelage of Taiwanese mentors. For the young Alex, it would become a passion that he would pass on to aspiring artists and his own family: his wife Ester, son Geoffrey, and daughters Kaye and Kyra.

The 53-year-old executive/artist first started teaching Chinese painting in the early 2000s at the Ayala Museum and the Ateneo de Manila University, juggling it with his full-time job.

His students come from all walks of life and different age brackets, ranging from a 15-year-old high-school student to a 78-year-old retired bank executive. "The most important thing in Chinese painting is, if you have talent, that's good," declares Lim. "If you have an interest, that's better. But if you have talent and interest, plus passion, that's the best. I have a lot of students who are



Alex, Felix, Rolex and Jolex Chan Lim
Interaction paintings
Hand-painted silk fans

PHOTOGRAPHY BY ALBERT LABRADOR GROOMING BY FENNIE TAN

A portrait of Alex Chan Lim, a man with dark hair and glasses, wearing a red button-down shirt and light-colored trousers. He is smiling and holding a glowing light stick in his right hand, which is lit up with a bright yellow-orange light. The background is dark and out of focus, showing some greenery and tree branches. The lighting is dramatic, with the light stick being the primary light source illuminating his face and shirt.

Alex Chan Lim
Country Manager
MoneyGram Philippines

CEO CORNER

Filipinos who didn't even know how to carry a brush, but they have stayed with me for five years."

One of the world's oldest art forms, Chinese painting requires years of training, from mastering each stroke to learning how to paint natural objects perfectly. The craft is booming in China, but it is slowly fading in the Philippines. "Even the Chinese schools don't teach Chinese calligraphy anymore," Lim sadly admits, "so it's a dying art. There was this Chinese store in Binondo that sold inksticks and inkstones but it closed down last March. Now we have to go abroad to find them."

East and West, old and new

Despite the difficulties, Lim and his students keep the art form alive for art-loving Filipinos. In group exhibitions, they show how modern Chinese painting has evolved over thousands of years. The art form is no longer confined to

monochromatic inks on silk or on paper; it now incorporates Western techniques, tools, and materials. Lim's students are very creative in using materials such as canvass fabric and porcelain.

"We started with traditional Chinese painting," Lim points out. "Now we paint with bright colors for a very modern aesthetic."

In teaching the craft and nurturing the next generation of artists, Lim derives great fulfillment and also learns different approaches to life, and to his work.

"In painting," he explains, "I learned discipline and focus, which I apply to the business. I'm a very focused person; I know what I want." Painting also shows him how to strive for constant improvement at work. He muses, "No matter how good your painting is, there's somebody else who could do it much better than you."

The art of success

A money-transfer company based in the United States, MoneyGram has been in the Philippines since 1991. Only in recent years has the company seen significant growth.

Before joining MoneyGram in 2011, Lim held executive positions for various companies, including

a clothing brand retailer, an express delivery enterprise, and a mining firm. Under his leadership, MoneyGram began to aggressively promote its remittance services.

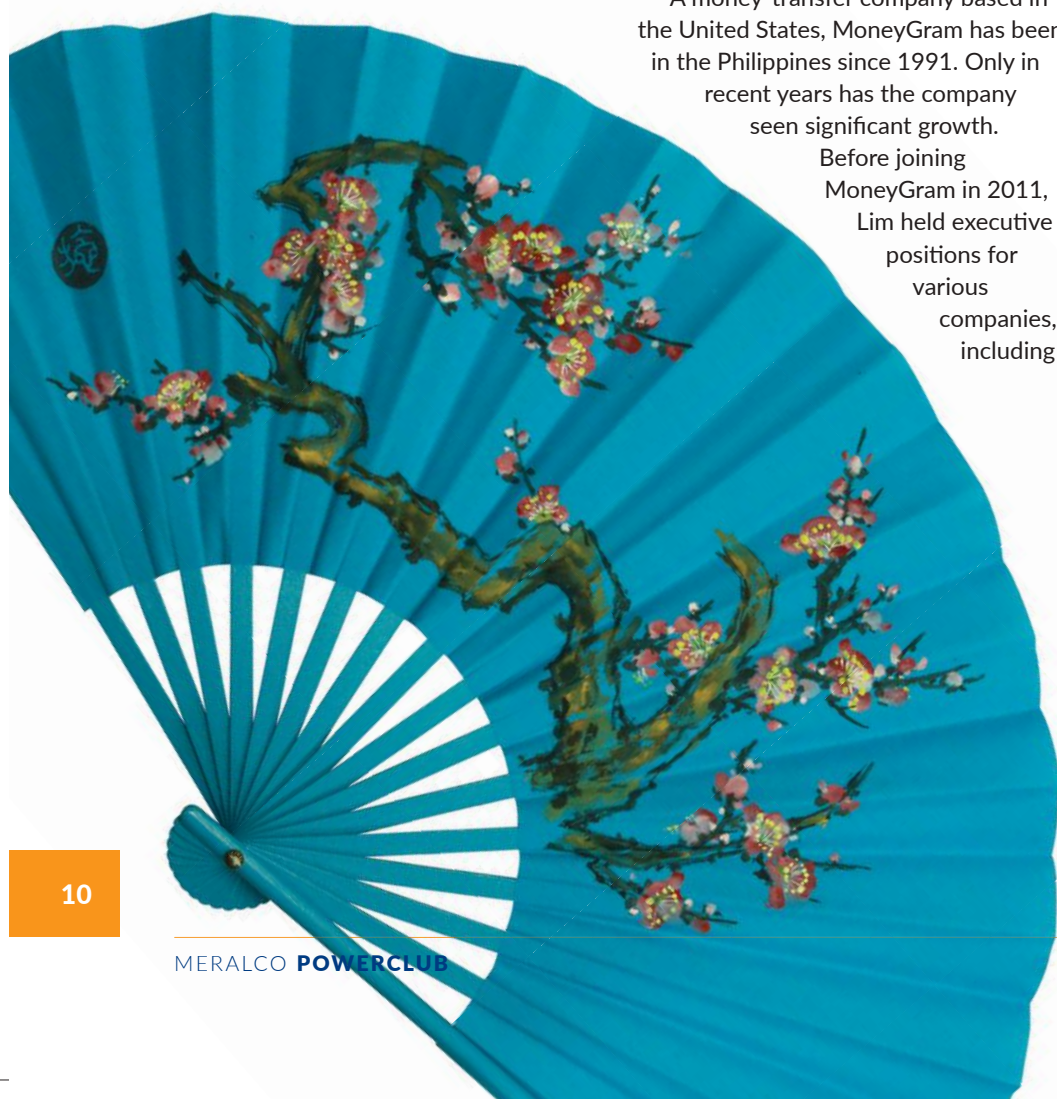
"When MoneyGram first began here," he recalls, "it was largely unknown. After I joined, I started building the network, then we focused on our customers: 11 million Filipinos abroad. We got [actor] Robin Padilla as a global endorser for his

'We started with traditional Chinese painting but look at where we are now! it's very modern.'

Alex Chan Lim and Felix Chan Lim
Branches in Bloom
Hand-painted silk fan



Alex Chan Lim turns his brush to another watercolor landscape.





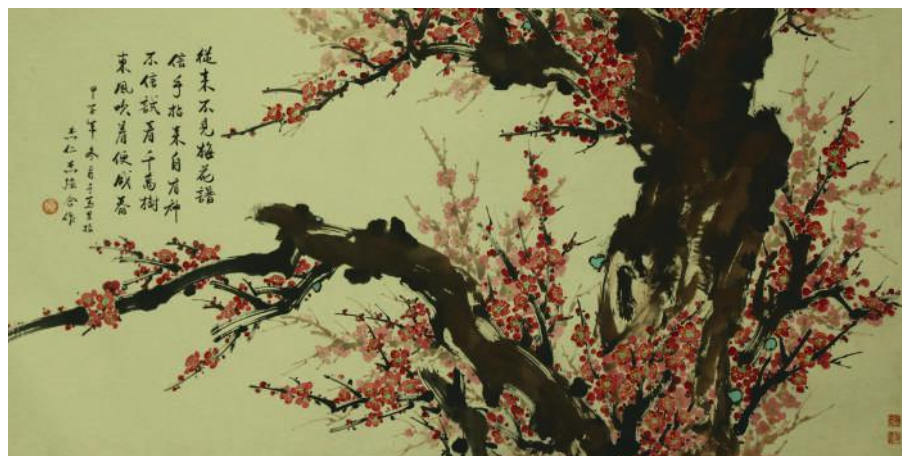
mass appeal and charisma; you can see his face in billboards all over the world."

MoneyGram now partners with major players in the finance and remittance sector, along with established banks, major pawnshops, and significant commercial establishments. This made the company's services more widely available, turning it into a key participant in the money-transfer business. "Today, I'm very happy because people already know us," Lim enthuses, "the recall is already there."

To illustrate the success of MoneyGram in the Philippines as a painting, Lim envisions "a landscape with waterfalls; never-ending, flowing with mountains as far as you can see, clouds above. I'll add little flowers at the bottom to add color. It's alive, it has life." 🌸

By spreading the beauty of the art form to others, Alex Chan Lim hopes to teach a generation that would further propagate it to future artists.

Alex Chan Lim and Felix Chan Lim
Plum Blossom Painting



The Caticlan Airport Development Interim Runway Extension, one of several EEI projects.

BUILDING SUPPORT

BY CAI U. ORDINARIO

As more public-private partnerships take off, construction companies and suppliers rush to fill in the gaps in infrastructure.

One might be forgiven for thinking of Metro Manila as one vast construction site. The seemingly endless spread of new developments and buildings add to the slow but steady expansion of infrastructure – elevated roadways, light-rail systems, bridges, expressways – meant to link the different parts of the mega city.

The recent growth spurt of these infrastructure projects is due primarily to public-private partnership (PPP) initiatives, launched by the Aquino administration in 2012 and sustained by the Duterte administration. The program continues to attract large corporations such as Metro Pacific Investments Corp. (MPIC), San Miguel Corp. (SMC), and Ayala Corp. (see “Playing the Long Game” on page 16).

Much of the heavy lifting, however, is literally provided by the construction firms that transform these projects into reality. Despite the many challenges they encounter, companies like EEI Corp., D. M. Consunji Inc. (DMCI), and Capitol Steel

Corp. are busier than ever.

From the ground up

One of the country’s oldest engineering companies, EEI Corp. began as an engineering equipment supplier in 1931. Over the decades, it participated in numerous construction projects all over the world. Today, as part of the Yuchengco Group of Companies, it engages in PPP projects that include the Caticlan International Airport, the Metro Rail Transit (MRT)-7, and the Skyway Stage 3 project section to connect Araneta Avenue to the A. Bonifacio station.

EEI Infrastructure Projects has partnered with SMC for the Ninoy Aquino International Airport (Naia) Expressway, and with MPIC for improvements to the North Luzon Expressway (NLEX). But Vice President for Operations, Infrastructure Group, Hans Lopez says EEI is open to becoming a direct project proponent, particularly for projects on

which bigger firms may pass up.

“Not only are we able to do high-rise buildings, malls, and hospitals,” Lopez enumerates, “we have the capability to construct major infrastructure: wind farms, port projects, airport projects, elevated roadways, elevated railways, and bridges.

“And, of course, power plants, mining plants, processing plants, and heavy industrial facilities, which comprise the original core business of EEI.”

Jorge A. Consunji, president and chief operating officer of DMCI, shares that his company worked on projects, such as the Tarlac-Pampanga-La Union Expressway (TPLEX), as both the contractor and its proponent. DMCI is also a contractor for the Naia Expressway, the next portion of which opened before Christmas; and Skyway Stage 3, on track for completion in April 2018.

Established in 1954, DMCI’s years of experience and versatility make it an attractive partner to directly undertake PPP projects, stresses Consunji.

PHOTOGRAPHY BY OCS ALVAREZ AND JUN PINZON
GROOMING BY ARLENE ADTO

“Some proponents have to rely on a third-party contractor. [But we] are one of the few companies that can construct a project as a contractor or, as a proponent, bring in strategic partners and raise the money.”

None of these projects would go anywhere without steel, which Capitol Steel Corp. supplies to PPP constructions. Company President Alvin Cheng reveals Capitol Steel bars strengthen the Naia Expressway and the Skyway Stage 3 Extension connecting the South Luzon Expressway (SLEX) to NLEX.

As a supplier, Capitol Steel needs to ensure all its rebars meet project specifications for timely deliveries. Cheng says this reinforces his company’s solid reputation among its clients.

Risks and Rowa

Taking on PPPs is not for the faint of heart, even for companies as flexible as DMCI. All projects carry risk, and some bigger than others: construction, financing, design and completion. Operational risks require construction companies to ensure the safety of their personnel, the public, and the community. Even the weather can seriously affect project timelines.

The greatest source of concern for PPP proponents lies in financial risk, because investors must ensure each project’s profitability over a horizon of up to 25 years.

DMCI remains eager to provide top-to-bottom service for minimal-risk projects, but Consunji admits the company prefers to work with strategic partners on riskier ventures.

“PPP projects carry a lot of risk,” he admits, “more so for the



Hans Lopez
VP for Operations,
Infrastructure Group
EEI Corp.

‘Not only are we able to do high-rise buildings, malls, and hospitals, we are also capable of constructing major infrastructure.’



EEI is part of a consortium behind the Phase 1-50MW Nabas Wind Farm Project.

INDUSTRY TRENDS

Jorge A. Consunji
President and COO
DMCI

'We are one of the few companies that can construct a project as a contractor or, as a proponent, bring in strategic partners and raise the money.'

proponent than the contractor. Proponents not only assume the construction risks but also the business risks; in the end, they need to ensure they will make money."

A constant headache for infrastructure projects is Right-of-Way Acquisition (Rowa). It affects timelines and increases overhead costs; more importantly, Rowa issues can force the drastic redesign of a project.

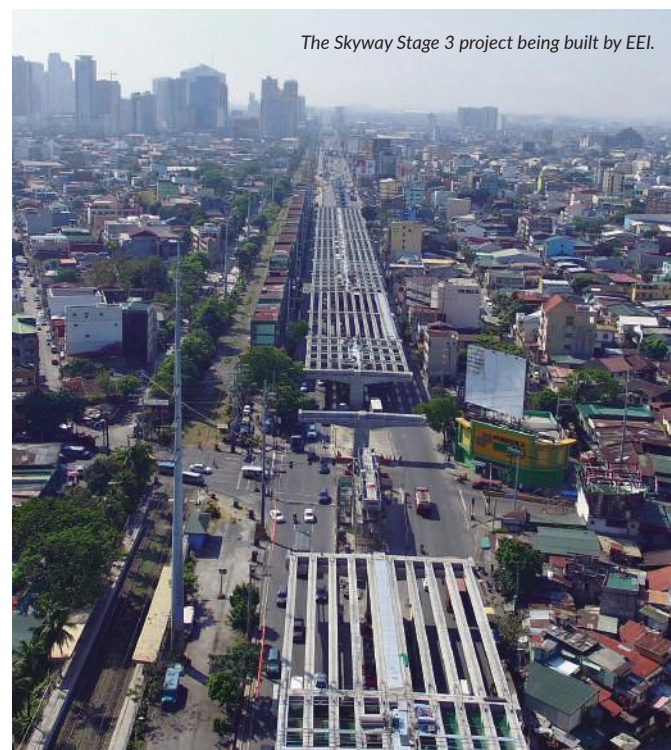
Lopez and Consunji agree: all stakeholders must come together prior to tendering a project to avoid such problems, but Lopez is especially adamant on the importance of pre-planning when it comes to Rowa.

He advises all stakeholders to accomplish the pre-planning through a steering committee that involves the government agency bidding out the project, agencies with jurisdiction over traffic, local government units, and the community.

This committee can create an information system that maps the location of people and of utilities lines, such as for gas and transmission. Consunji advocates the use of this system to help contractors improve project designs and better prepare for possible risks.

Supplies and demand

Project delays can adversely affect estimates for PPP suppliers



The Skyway Stage 3 project being built by EEL.

such as Capitol Steel. "These expose us to additional raw-material cost escalation risks for the duration of the project," Cheng reveals.

Maintaining competitive prices is among the many challenges that keep him up at night. Raw materials easily account for 90 percent of Capitol Steel's costs. Although shipments can reach a million tons at the Port of Manila, Cheng notes that its Harbor Center has a capacity of only 400,000 tons.

"The waiting time of vessels is 60 to 90 days!" he bemoans. "Imagine the cost, just for anchorage. We're being charged extra just to wait, and prices are always moving for commodities. We've opted for barging, and we unload it ourselves rather than be exposed to price volatility."

Pricing is just the first hurdle. He discloses: "Companies that supply to PPP infrastructure go through a stringent pre-qualification and financial capacity review."

These requirements, which take into account the ability to meet demanding delivery schedules, are far from unwelcome to the Capitol Steel boss. He views these criteria as necessary checks and balances for the public good, to ensure that PPP projects are aboveboard and well-built.

To satisfy the quality and supply requirements of its customers, the steel company is building a new plant in the first half of 2018 to potentially triple its capacity. The state-of-the-art steel plant will come from Europe and be competitive compared to other plants in the region.

Worthwhile pursuits

Challenges and risks aside, EEI, DMCI, and Capitol Steel remain keen to undertake more PPPs, believing this business model can solve the country's infrastructure shortfalls, especially in transportation and telecommunications.

"PPP's are very important to the Philippines right now," declares EEI's Lopez. "Rather than wait for the government to allocate some budget for a certain project, let the private companies do it: it's faster."

Previous PPP bid parameters included premium payments. For the Naia Expressway bid in 2013, SMC paid P11 billion, a few billion shy of the P15.86-billion total project cost. The expressway was intended to reduce travel time from the Manila Bay's World Trade Center to the airport, for the Asia-Pacific Economic Cooperation summit. San Miguel offered the premium payment in lieu of a subsidy of below P6.5 billion from the casino operators, who would directly benefit from the creation of the expressway.

The national government intends to spend around P850 billion for infrastructure in 2017. This is part of the plan to ramp up infrastructure spending to around 5 to 7 percent of gross domestic product (GDP). By the end of its term, the Duterte administration aims to spend between P8.2 trillion and P9 trillion on various projects.

DMCI is eager to discover the PPP priorities of the current administration, and how it conducts the bids and awards

for these projects. Admits Consunji, "We've heard that the government might no longer require a fee up front for the rights to operate."

Meanwhile, Cheng is encouraged by the government's commitment to continue the program and raise infrastructure spending over the next five years. "PPP is at its early stages," he shrugs. "Understandably, there is still a learning curve."

"But we are confident that the government is hitting its stride, and we will see a lot more PPP projects awarded. If they increase infrastructure spending to 5 percent [of GDP], it will be happy days for us."

However one may look at the ongoing construction boom, with its dust, cacophony and congestion, it is an indication of the vibrancy and promise of the Philippine economy. And when the needed infrastructure – shipping ports, airports, bridges, and power plants – are all in place, these will do more than link up towns with cities, or factories with markets. These will connect the entire Philippines to the prosperity deserved by all Filipinos. 🇵🇭



Alvin Cheng
President
Capitol Steel Corp.

Business is brisk for Capitol Steel, which will put up a plant from Europe to maintain its quality standards and potentially triple its capacity.

PLAYING THE LONG GAME

BY BABE PAÑARES

Metro Pacific's Jose Ma. K. Lim plows through the pitfalls and promises of public-private partnerships.

For anyone engaged in a public-private partnership (PPP) project in the Philippines, not just patience but perseverance is an essential prerequisite. When a major infrastructure project can span multiple administrations before the implementation phase begins, it can be frustrating for any private company to get involved.

And "frustrating" puts it mildly, according to Jose Ma. K. Lim, president and chief executive officer of Metro Pacific Investments Corporation (MPIC).

He offers the timeline for the North Luzon Expressway-South Luzon Expressway (NLEX-SLEX) connector road project as an example. It was finally awarded to MPIC unit Metro Pacific Tollways Development Corp. (MPTDC) in September 2016, but the company had initially offered to build the connector road for P18 billion back in 2010, at the close of the Arroyo administration. It obtained approval from the National Economic and Development Authority (Neda) Board in

2012, but subsequent reviews resulted in amended terms for a Swiss challenge, a requirement for unsolicited bids, which were only accepted in December 2015.

Waiting for "go"

"Our connector road waited three administrations before we got it," Lim recounts. "It was originally awarded during the Arroyo administration, then former President Benigno S. Aquino III had it reviewed. It was a nightmare."

Meanwhile, road traffic continued to worsen. "We knew that we just had to persist because there is a lack of mass transit; that is why you have this severe congestion. We need more infrastructure."

The connector road project was finally awarded, yet the same cannot be said for other big-ticket PPP projects that remain forestalled for one reason or another.

"The public thinks all that needs to happen is to be awarded the contract," explains Lim, "and then it will go on its own. Not true at all. The bigger

NLEX



Maynilad



CAVITEX



TPLEX



LRT-1



Jose Ma. K. Lim
President and CEO
Metro Pacific
Investments Corporation

'We knew that we just had to persist because there is a lack of mass transit; that is why you have this severe congestion. We need more infrastructure.'

COVER STORY

challenges are when you start getting ready for the construction phase.”

These challenges may include the acquisition of rights-of-way, payments of multiple local taxes, and reinterpretations of existing contracts.

Getting it right

Right-of-way acquisition proves to be a particularly thorny issue for the operations, maintenance and extension of the Light Rail Transit 1 (LRT-1); the MPIC-Ayala consortium took over this project in September 2015.

“It takes about a year just to determine what the final detailed engineering will look like, but until we get right of way, we cannot even get started,” bemoans Lim. “We cannot do testing of the ground, which is needed in order to finalize detailed engineering. Unless we can clear the occupants, the construction start date gets delayed.”

The MPIC boss firmly believes that government must be fairer, and cites a case

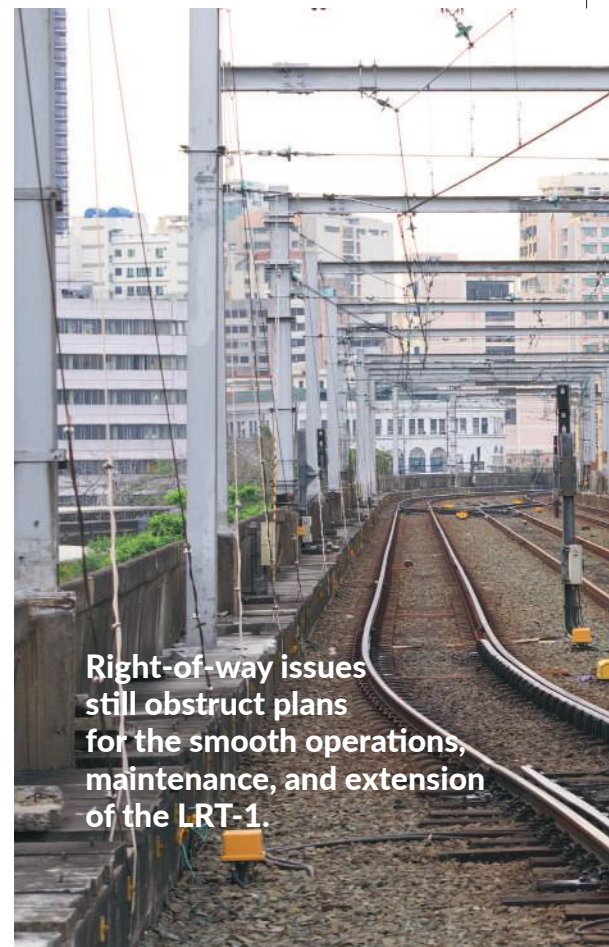
filed before the Supreme Court by another MPIC subsidiary, Maynilad Water Services Inc. With the delayed implementation of a rate increase approved by an arbitration panel, Maynilad claimed P3.44 billion from the government due to losses from Jan. 1, 2013 to Feb. 28, 2014. Maynilad won the case, but the government has not yet carried out the ruling.

“Government implements decisions that are favorable to them, but dithers on unfavorable ones,” Lim observes. “There is no consistency. If we lose a case, it’s a sure loss. But if we win, we are not sure it is a win.”

Taxing issues

In his talk with Japanese businessmen during the Philippine Economic Forum in Tokyo last October 26, Socioeconomic Planning Secretary Ernesto Pernia declared, “after more than two decades since the enactment of the BOT (Build-Operate-Transfer) program and law, which authorizes the financing, construction, operation and

Maynilad claimed P3.44 billion in losses due to the delayed implementation of an arbitration panel-approved rate increase. It won the case, yet the government has not yet carried out the ruling.



Right-of-way issues still obstruct plans for the smooth operations, maintenance, and extension of the LRT-1.

maintenance of infrastructure projects by the private sector, the need to improve the framework that governs PPP has surfaced.”

Also NEDA Director-General, Pernia stressed: “Amendments to the BOT Law and its implementing rules and regulations are among the priority legislations intended to raise the efficacy of private-sector participation and to keep policies attuned to the changing business environment.”

However, Lim notes the gulf between intention and application. The issue of taxes became a deal breaker when the LRT-1 Cavite extension project was first offered to potential bidders.

“They wanted us to extend the train by another 11 kilometers,” he narrates, “so we raised the issue of local taxes once the concessionaire takes over. The BAC (Bids and Awards Committee) did not respond and instead decided to proceed with the bid. All other bidders and even our consortium members backed out.”

Having already spent so much time preparing for this project, MPIC decided to continue to pursue it by submitting a bid conditional on the government addressing the tax issue. This was deemed to be “non-responsive,” thus leading to a failed bid.



Maynilad's La Mesa Water Treatment Plant



"The following day we received a call from the government asking why we considered taxes as a deal breaker," Lim recounts. "We presented our calculations and this showed their estimates on taxes to be only 10 percent of our estimate."

He goes on to say that within two weeks, there was approval from Neda for the government to pay for the project's real-property tax. The project was bidded out again a few months later, but by then other bidders had lost interest.

The government now aims to exempt infrastructure projects with "national significance" from paying local taxes.

"It has since learned that local taxes are a real issue that need to be addressed, that is why it is trying to amend the BOT law," Lim notes. "I suppose it's part of the learning curve."

For the benefit of all

Other factors contribute to delays in the bidding out and implementation of big-ticket PPP projects, some of which mystify even the MPIC chief.

Case in point: MPIC's bid for a bundle of five airport projects in Davao, Bacolod, Iloilo, Bohol, and Cagayan de Oro. "We finished



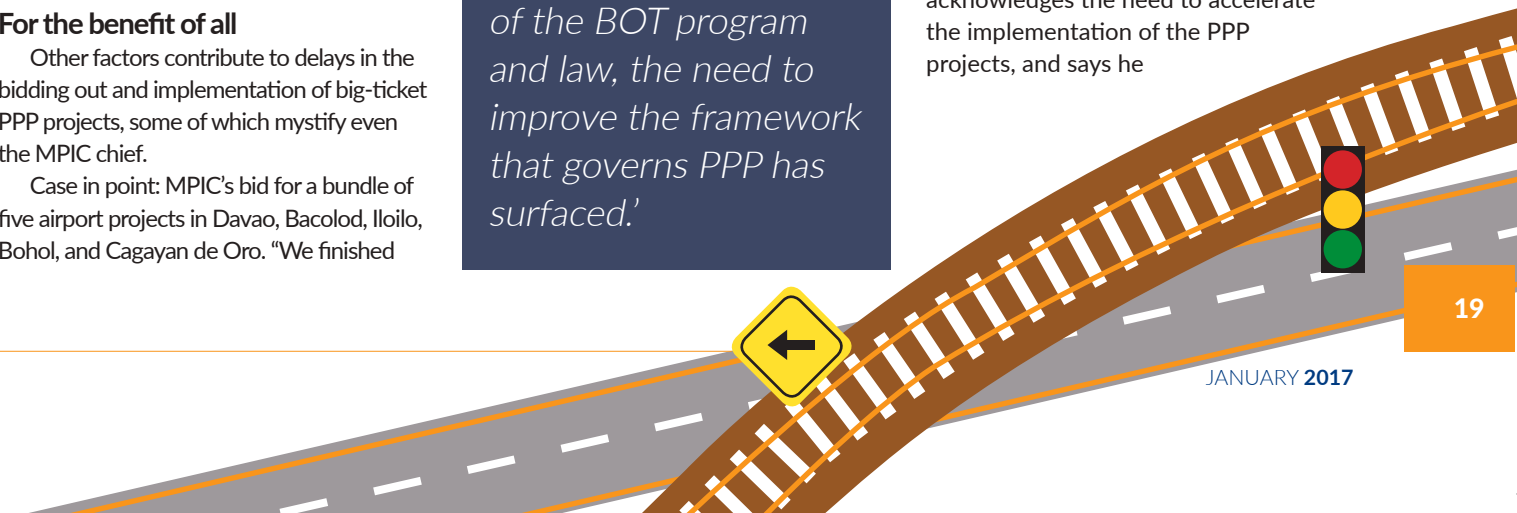
Ernesto M. Pernia
Socioeconomic
Planning Secretary,
and Director-General
National Economic
Development Authority

'Since the enactment of the BOT program and law, the need to improve the framework that governs PPP has surfaced.'

our due diligence and we were ready to bid," he asserts, "then it stalled because of the 2016 Presidential election. Now I know why it took so long to start the rebid process – they decided to unbundle the airports; no explanation given."

It's not like the pie is small to begin with. "There are more than enough projects for everyone, actually," Lim confides. "It's just that this government lacks the capability to bid them all out. In other countries, this role of preparing bids is itself awarded to private-sector consultants; they get international teams to bid it out for them. They anticipate all of these problems and they can structure these properly. Supposedly, this is the role for which the PPP Center was created."

Speaking at the BusinessWorld Economic Forum last July 25, Finance Secretary Carlos G. Dominguez acknowledges the need to accelerate the implementation of the PPP projects, and says he





'A typical PPP project takes an average 29 months to get started. We want to bring this down to below 20 months.'



Carlos G. Dominguez III
Secretary
Department of Finance



wants to cut the time for proponents starting their infrastructure projects.

"A typical PPP project takes an average 29 months to get started," he notes. "We want to bring this down to below 20 months. We've been discussing with Neda, which is in charge of the PPP Center, as well as with the Department of Budget and Management to review the approvals process and reduce the red tape."

Lim has reservations about the government's efforts: "The jury is still out on the Duterte administration's handling of PPPs. They haven't delivered anything since they took over, and so far, I cannot see evidence that this is going to move faster than it did in the previous administration."

Thus far, President Rodrigo R. Duterte, as Neda Board chairman, has approved only two PPP projects: the P74.6-billion

Ninoy Aquino International Airport development project, and the P1.47-billion New Nayong Pilipino project at Entertainment City.

However, Lim also remains hopeful. "To be fair, this administration is doing its best to deal with problems that have become complex or even unmanageable, because of continuous neglect by previous administrations," he adds. "The confirmation of Arthur Tugade as Secretary of Transportation gives me confidence; I believe he will quickly address the project requirements for LRT-1, the Cavite-Laguna Expressway, and the NLEX-SLEX connector road. I also believe he will treat us fairly with respect to our tariff issues and claims."

In media interviews in January, MPIC chairman Manuel V. Pangilinan expressed support for the Duterte administration's massive infrastructure program.

"I think it's something we support. We know the country is in critical need of infrastructure," said the business tycoon.

He added that his group will be submitting various unsolicited proposals for government projects in the areas of infrastructure, agriculture, and power.

He told reporters his group plans to partner with Aeroports de Paris, the operator of the Charles de Gaulle Airport, to develop regional airports in the country.

MPIC remains persistent despite the obstacles, especially when it comes to PPP projects vital to the national interest.

"When we go through these travails of arbitration, court proceedings and so on, for me that is just a test to guide future leaders," Lim concludes. "So many companies will not have the patience or resources to keep plugging away, to keep at it."

"But if you're doing something that will benefit the greater good, then it is worth pursuing." 🙌

Manileños would find a journey to the Sitio Pulot Bay Elementary School in Kalayaan, Laguna suggestive of an Indiana Jones movie, including the 45-minute motorized boat ride across Caliraya Lake.

Yet Queency C. Galarosa, the school's Teacher Leader, claims many of her pupils take even more time to get to school. Some walk for an hour over muddy terrain. Others with a family *bangka* paddle their way across the lake.

Attending classes is clearly no adventure film for the 68 schoolkids, and not having electricity just adds to their difficulties.

"The students must hurry home, finish their chores, and complete their homework before dark," Galarosa explains. "Not many families can afford to use candles or kerosene lamps daily, so children often come to school with unfinished homework."

The Manila Electric Co. (Meralco) helps communities like Sitio Pulot Bay, through its corporate social responsibility arm, One Meralco Foundation (OMF), which joined the "One Child, One Lamp" (Ocol) campaign. This Department of Education initiative envisions one solar-powered lamp distributed to each student in

ONE MERALCO FOUNDATION



Meralco Consumer Products Team Leader, Corporate Business Group **Cesar Dawana**; Meralco Head, Public Sector Relationship Management, **Geralyn Solidum**; Meralco Food and Beverage Team Leader, Corporate Business Group **Gabriel Delfin**; and Meralco Relationship Manager **Manny Avena** stand in the lights of Sitio Pulot Bay Elementary School's students. Seated with the pupils is teacher **Jean Rabin**.

SPARKING A NEW LOVE FOR LEARNING

OMF brightens up Sitio Pulot Bay Elementary School with solar-powered lamps.

BY MA. MELIN C.Y. DORIA

schools without electricity.

"The project targets small schools, located off the grid, with 150 students or less," elaborates OMF President Jeffrey O. Tarayao. "Ocol gives them light to study longer and better."

The project also receives support from Meralco corporate partners. At the 2016 Meralco Power Club Pro-Am Challenge last November, ticket purchases and pledges from around 150 participating C- Level executives raised P120,000 for Ocol. Part of those proceeds funded the solar lamps for Sitio Pulot Bay Elementary School.

"Among our corporate customers, there is a genuine desire to help," says Alfredo S. Panlilio, Meralco senior vice president and head of Customer Retail Services and Corporate Communications.

The community sees Ocol as a much-sought-after Christmas gift; Dolores Diones, the Parent-Teacher Association president, got emotional. "I am focusing my energy," she confides, "on helping my youngest and my first grandchild finish their schooling. None of us in the family have finished school, and I hope these two will."

She confesses it was sometimes difficult to define the concept of *liwanag* (light) to younger kids. But now that each child has a solar-powered lamp, *liwanag* will become a normal part of their lives.

"It was like winning the Lotto when we turned them on the first time," Galarosa recalls. "We were all teary-eyed." 🌟

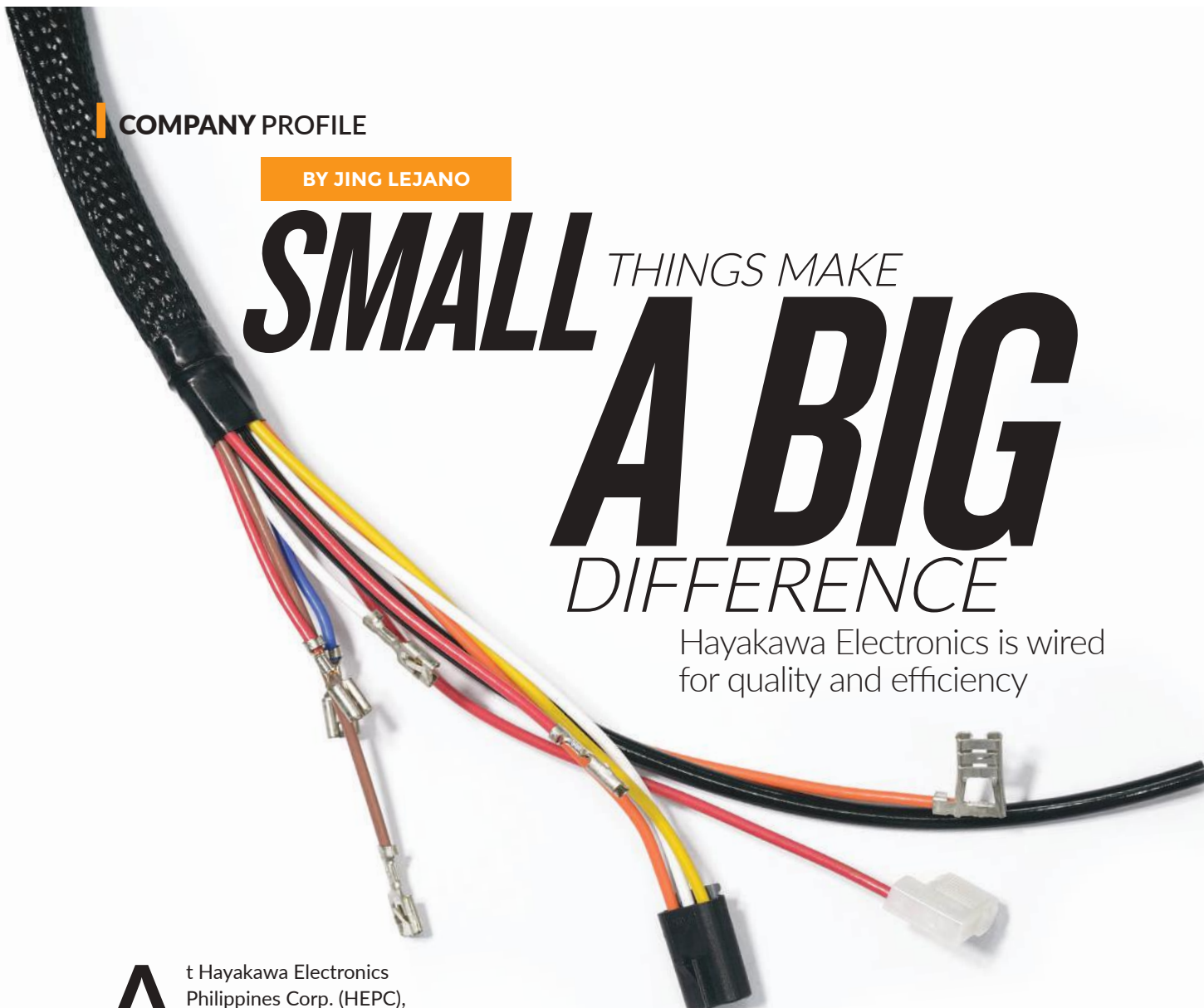


Geralyn Solidum and Cesar Dawana tell stories by lamplight.



Students eagerly show off their solar-powered lamps.

PHOTOGRAPHY BY DAKILA ANGELES



COMPANY PROFILE

BY JING LEJANO

SMALL THINGS MAKE *A BIG* DIFFERENCE

Hayakawa Electronics is wired
for quality and efficiency

At Hayakawa Electronics Philippines Corp. (HEPC), an employee at one of the work stations is intent on the task at hand. Her head bowed and eyes focused, she deftly positions, cuts, strips, and splices wires. Her hands move from muscle memory, as if from years of practice; not once does her gaze dart up to the instruction guide illustrating the chronological steps of the procedure.

She's making a wire harness: hardly a glamorous product, yet absolutely essential in many vehicles and appliances. These wire harnesses have transformed HEPC into a booming company with a registered capital of P100 million.

Well-trained and well-connected

One of the earliest locators at the Cavite Economic Zone (CEZ) in Rosario, HEPC is a contract manufacturer of wire harnesses for automotive electronics, office machines, and automated banking. Its wire

harnesses find their way into head lamps, car speakers, and sensor components of modern automobiles, among others; in printers and photocopiers; and in money-counting and automated teller machines. The factory's output of wire harnesses is exported directly to Europe, Japan, the US, and Asia.

The company is a wholly owned subsidiary of Japan's Hayakawa Densen Kogyo Co., Ltd, which has operations in the United Kingdom, Hungary, the Czech Republic, China, India, Thailand, Singapore, the Philippines, Vietnam, Japan, Mexico, and the United States.

HEPC started its Philippine operations in 1990 with just 24 engineers.

Takashi Kawano, HEPC president, reveals the Philippines's primary attraction for the company was its highly skilled workers. "Filipino workers are not only

fluent English speakers," he explains, "they also proved to be high-potential employees."

His conversation, peppered with Filipino phrases, hints at his long-time residency in the country; clearly he enjoys working here.

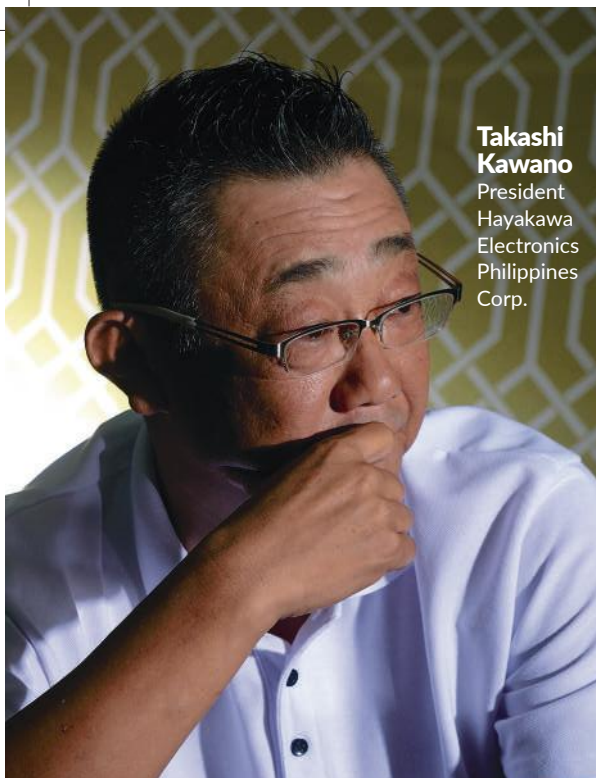
Filipinos are also quick learners, a crucial trait in a business that is constantly evolving. HEPC regularly puts workers through training programs for every step of the assembly process, and invests heavily in educational programs.

Kawano notes that local employees are sometimes sent for further training to its sister operations in Thailand and Vietnam. "We wish for everyone to improve on their job quality," he adds.

Bound together for efficiency

What makes the business of wire

PHOTOGRAPHY BY DAKILA ANGELES
GROOMING BY ELAINE GANUELAS



Takashi Kawano
President
Hayakawa
Electronics
Philippines
Corp.

'Filipino workers are not only fluent English speakers, they also prove to be high-potential employees.'

harnesses recession-resistant is the product's ubiquity in electrical machinery. Wire harnesses consolidate wires that transmit signals or electrical power, making installation and replacement fast and easy. Bound together with insulating materials, they are flame-retardant, and better secured against moisture, vibrations and abrasion.

The "wobbly" nature of a wire harness makes automated manufacture very difficult; thus, its production is dependent on manual dexterity. Thin wires are routed through sleeves, branch-outs secured with fabric tape, terminals crimped onto more wires, and strands fastened with tape, clamps or cable ties.

Gradual yet excellent growth

HEPC aims to sustain, even grow, the demand for its products by maintaining its high standards and earning accreditations.

For the first half of 2016, HEPC sustained its performance at the previous year's levels, but sales in the second half rose by 20 percent. Kawano attributes the

spike to HEPC's highly motivated sales staff, and foresees a 10 percent increase on year-end sales. Achieving growth is made easier by its partnership with the Manila Electric Co. (Meralco).

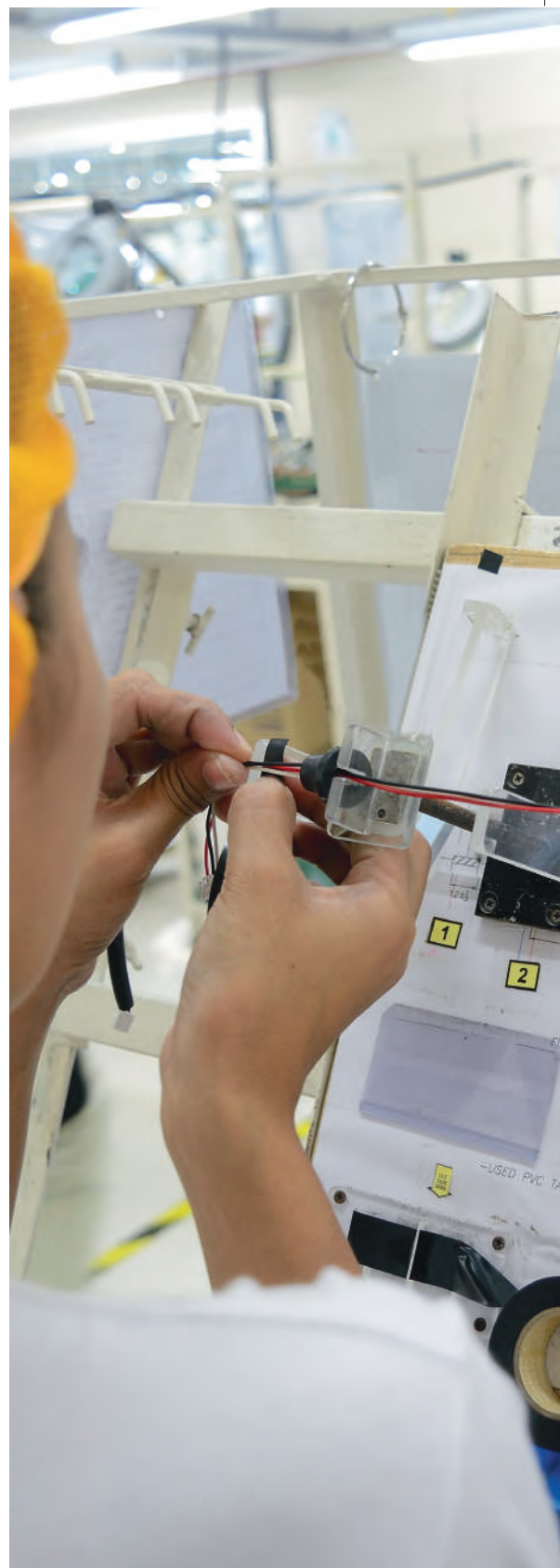
As CEZ's sole power distributor (see "Expanding Power" on page 30), Meralco does more than keep its customers like HEPC supplied with sufficient, stable, and reliable power. It regularly provides technical services and preventive-maintenance activities, and holds seminars on energy efficiency and electrical safety.

To remain competitive, HEPC constantly improves and fine-tunes its processes for optimum quality and output. Among its many accreditations is the International Organization for Standardization's (ISO) TS 16949. This is the automotive-industry supply-chain standard that upholds continual improvement, defect prevention and the reduction of variation and waste.

High product quality was certainly instrumental to the expansion of this 26-year-old company. "We have grown, little by little," attests Kawano. "Now we have five companies in the Philippines, and employ around 2,500 people."

HEPC held ribbon-cutting ceremonies to open three other manufacturing facilities, all within the Cavite Economic Zone. The first specializes in printed circuit board component assembly, the second in metal press forming, and the third in plastic injection molding. A fourth facility, located in Pampanga, is scheduled to come on-line this year.

A delegation from an automotive company arrives at the lobby of HEPC's plant to inspect its products, processes and quality controls. With a twinkle in his eye, Kawano murmurs he is confident the company will win their business, and add another feather to its cap. 🍀



The 'wobbly' nature of a wire harness makes automated manufacture very difficult; thus, its production is dependent on manual dexterity.

UNCORKING STRONGER PARTNERSHIPS

An evening of Shiraz,
Chardonnay, and Merlot
with Meralco

*"Men are like wine - some turn to vinegar,
but the best improve with age."
Pope John XXIII*

Like running a business, or raising a family, or love, or life itself, wine can be complicated, daunting, intense, profound and, occasionally, expensive.

In the hands – or on the taste buds – of those with practiced experience and deep maturity, Bacchus's signature beverage becomes a pleasure, a reward, and a celebration.

The Manila Electric Co. (Meralco) hosted its first Wine Appreciation Night last October 21 at Wine Story, Shangri-La Plaza on Edsa.

Welcomed by Victor S. Genuino, vice president and head, Corporate Business Group of Meralco, the event brought together the top bosses from Meralco's key corporate partners to swap stories and celebrate partnership engagements, highlighted by a sharing of notable vintages from world-renown French wineries. 🍷



Meralco's Victor S. Genuino
eyes his glass as Far Eastern
University President
Dr. Michael Alba imbibes.



From Frabelle Cold Storage Corp. are Assistant General Manager **Marilyn Felarca**, and General Manager **Willy Salazar**.



Wine educator **Carla Santos** takes the floor.



Capitol Steel's President **Alvin Cheng** engages Vice President of Operations **Andy Pallera** of Hardrock Aggregates, Inc.



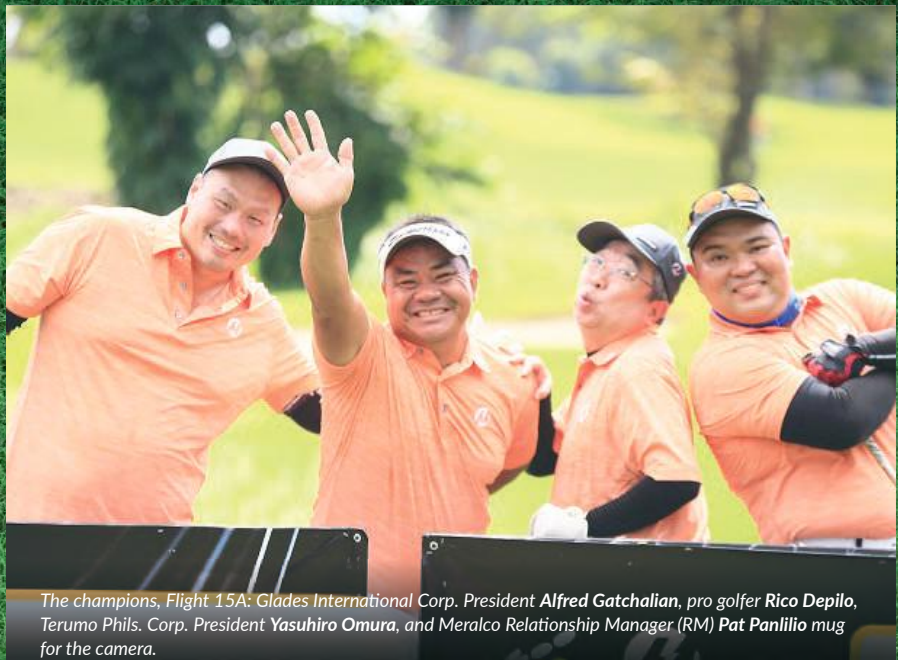
Cemex Holdings Philippines Inc. President **Pedro Palomino**, with Liberty Paper Inc. President **Anthony Chiongson**, and wife, **Sylvia**.



Also in high spirits: from Meralco, **Nina Posadas**, head, Marketing, Corporate Business Group, and Rosario Business Center Head **Paolo Cruz**; and from Marco Polo Ortigas Manila, Chief Engineer **Eric Enriquez** and Director for Marketing **Judith Los Baños**.



Victor Risma, Meralco Head, Private Sector Relationship Management with Saffron Philippines President **Kennan Lao** and his wife, **Minervia**, and Meralco Consumer Products Team Leader, Corporate Business Group, **Cesar Dawana**.



The champions, Flight 15A: Glades International Corp. President Alfred Gatchalian, pro golfer Rico Depilo, Terumo Phils. Corp. President Yasuhiro Omura, and Meralco Relationship Manager (RM) Pat Panlilio mug for the camera.

PHOTOGRAPHY BY VINCENT COSCOLLUELA AND JUN PINZON

A Day at Play

BY JIM BOLANTE

Suits and ties are traded in for shirts and sun hats at the 2016 Meralco Power Club Pro-Am Challenge.

Monday. The word carried with it a certain gloom, closing the door on the weekend, signaling the start of another work week stacked with paperwork, lengthy meetings and, of course, traffic jams.

This particular Monday, November 14, was an exception. Executives of the Manila Electric Co. (Meralco), corporate partners, and VIP guests traded their boardrooms and offices for the beautiful, sprawling greens of the Sta. Elena Golf and Country Club in Sta. Rosa, Laguna, to compete in the 2016 Meralco Power Club Pro-Am Challenge.

"Of course, any time you're outside the office, you feel blessed!" quips Alfredo S. Panlilio, senior vice president and head of Customer Retail Services and Corporate Communications of Meralco. "It's always good to be out on the golf course."

An annual event, the Meralco Power Club golf tournament is a venue for the company to interact and enrich its relationships with their customers in a casual, light-hearted atmosphere.

"They look very formal when you see them in the office, in Congress, but here, they're really fun and laid-back," Panlilio narrates. "I had [Marinduque] Rep. Lord Allan Velasco in my flight, along with [First Gen Corp. and First Philippine Holdings Corp. President and Chief Operating Officer] Francis Giles Puno."

The 2016 competition is the seventh since the tournament's inception, but it was only the third Pro-Am challenge, which featured some of the top professional golfers in the Philippines.

The participants were broken down into four-man teams, with the best score on each hole counted as the score for the unit. Each flight consisted of three amateur players and one professional player, with full handicaps (up to a maximum of 25) applied.

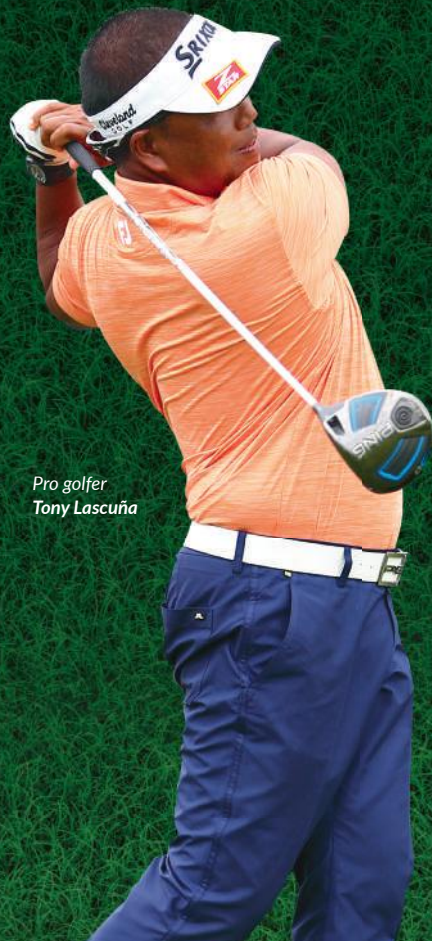
Panlilio, Puno, Velasco and Tony Lascuña, one of the country's highest-ranked golfers,

Steven Kisling,
Facilities
Management
Office Head
of the US Embassy
in Manila

Cesar Camaongay, General
Manager, Corporate Energy
Division of JG Summit
Holdings Inc.

Ariel Ong, President,
First Philippine Electric
Corp.

SPORTS



Pro golfer
Tony Lascuña

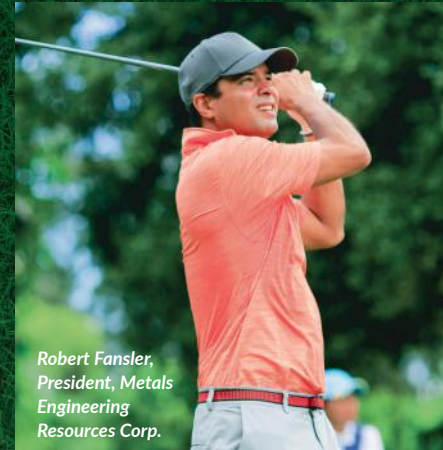
made up Flight 1A. Right behind them were Flight 1B, which featured Rep. Rey Umali (2nd District, Oriental Mindoro), Pwersa ng Bayaning Atleta party-list Rep. and Vice Chairman of the Committee on Legislative Franchises Mark Sambar, MVP Group Media Bureau Head lawyer Michael Toledo, and pro golfer Jay Bayron.

"They're great to play with," says Bayron. "I was actually excited and nervous at first, but when the game started, I saw how dedicated they were at golf."

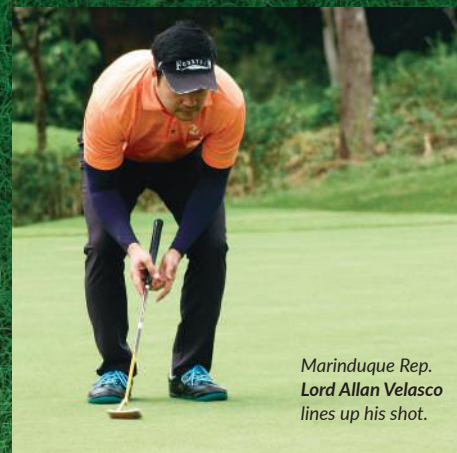
But Flight 15A, with Glades International Corp. President Alfred Gatchalian, Terumo Philippines Corp. President Yasuhiro Omura, Meralco Relationship Manager Pat Panlilio and golf pro Rico Depilo, turned out to be the day's biggest winners.

First runner-up went to Flight 22B, composed of Eaglecor Inc. President Ernesto Lim, HGST Philippines Corp. President and General Manager Chandra

Anamirtham, Miescor Senior Vice President and Head of the Project Development and Engineering Department Chito Torres and pro Dante Becierra, which finished 19-under with two eagles. Flight 3B, with MServ Consultant for Eco Solutions Ramil Agustin, Hitachi T&D Systems Asia Pte. Ltd. General Manager Atsushi Komuro, Automated Technology



Robert Fansler,
President, Metals
Engineering
Resources Corp.



Marinduque Rep.
Lord Allan Velasco
lines up his shot.



Pausing to pose: above, Macky Coronel, VP for Leasing, Panorama Development Corp. with Delfin Angelo Wenceslao, President, Aseana Holdings Inc., Meralco RM Joy Mendoza and pro golfer Anthony Fernando. Left, Renato Ermita, Chairman, AGC Flat Glass Phils. Inc. clowns with Meralco Sparks Football Team Head Coach Simon McMenemy, and Danilo Yang, President, St. Thomas Paper Corp.



All smiles: Meralco VP and Head, Marketing, Customer Solutions and Product Development Jose Antonio T. Valdez; Meralco SVP and Head, Customer Retail Services and Corporate Communications Alfredo S. Panlilio; Ishida Phils. Grating Co., Inc. President Takuya Kawamura; and Meralco VP and Head, Corporate Business Group Victor S. Genuino.



Miescor VP for Project Execution **Ric Causapin** shares a golf cart (above) with Amkor Technology Philippines Director for Facilities **Johnnie Matulac**. At left, First Gen Corp. President and COO **Giles Puno** and **Alfredo S. Panlilio** give an encouraging thumbs-up.



Oriental Mindoro Rep. **Reynaldo Umali** readies for his ceremonial tee off.



Semiconductor and Electronics Industries of the Philippines Inc. President **Dan Lachica**; First Gen Energy Solutions Inc. SVP **Lito Santos**; pro golfer **Zanieboy Gialon**; and **Victor S. Genuino**



Glades International Corp. President **Alfred Gatchalian** drives home with the grand prize.

Inc. President **Danny Acuña**, and pro **Orlan Sumcad** finished as second runner-up, scoring 19-under with one eagle.

"It's nice to have one day in the year to hang out and enjoy the game we love in a relaxed environment," observes **Victor S. Genuino**, vice president and head, Corporate Business Group of Meralco. "At the end of the day, one group will claim scores of minus-10, another group says they did minus-11, and another group says minus-13, minus-15, and so on. You can see it's a very competitive tournament, and I'm happy that everybody's having fun along the way."

As Mondays go, this one turned out to be a mid-month pick-me-up and a great way to energize the rest of the week. 🍷

The 2016 Meralco Power Club Pro-Am Challenge was sponsored by:

- MServ
- Miescor
- Philippine Airlines Inc.
- Radius Telecoms Inc.
- Toyota Motor Philippines Inc.
- Nissan Westgate
- Peugeot Lipa
- Republic Surety and Insurance Co. Inc.
- Mazda Pasig
- Hitachi Asia Ltd Philippines
- Solaire Resort and Casino
- Marco Polo Ortigas Manila
- Novotel Manila Araneta Center
- The Bellevue Hotel
- Diamond Hotel
- Dynamic Sports Corp.
- Pacsports Philippines Inc.
- Meralco Bayad Center
- AB Heineken Phils. Inc.
- Sommelier Selections, Inc.

Expanding Power

BY JING LEJANO

Meralco brings stable power to boost productivity at the Cavite Economic Zone.

When Typhoon Glenda struck Luzon in July 2014, it damaged electric posts and power cables and left parts of Metro Manila and a number of provinces in the southern area without power for weeks.

The crisis kept the Manila Electric Co. (Meralco) working 'round-the-clock to restore power. For the engineers and staff of Meralco – Cavite Economic Zone (Meralco CEZ), however, the situation proved to be their baptism of fire.

A month prior to Glenda (international code: Rammasun), Meralco signed a 25-year deal with the Philippine Export Processing Zone Authority (Peza) to distribute electricity within the CEZ. Now, it struggled feverishly to address problems at the site and coordinate with the National Grid Corp. of the Philippines for updates.

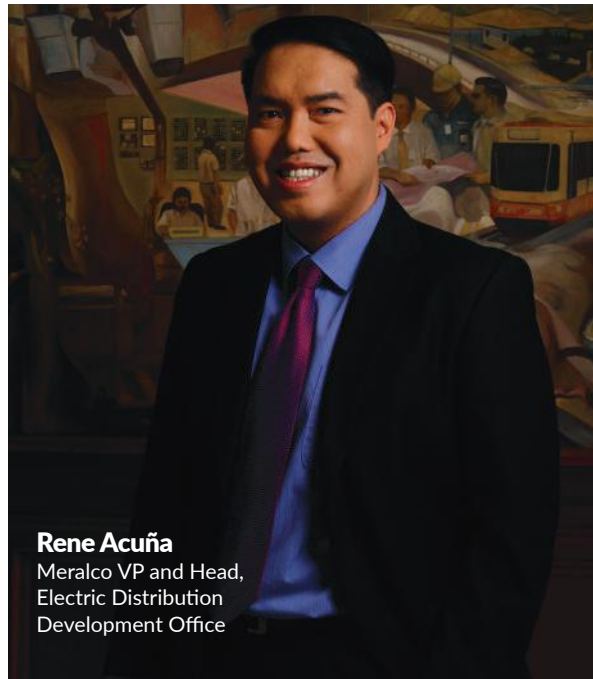
Meralco CEZ General Manager Ronald Torres recalls his staff's determination to restore power to the ecozone locators, for whom every hour of power loss meant thousands of dollars in lost revenue. The hard work paid off: "We were the first ecozone in the Meralco franchise that restored stable power in 24 hours," he says. Meralco is also the sole power distributor at 25 other Peza districts.

Impressed with the speed of power restoration, the members

of the Cavite Economic Zone Investors Association gave Meralco a letter of commendation.

Not a typical customer

An initiative of Meralco's Electric Distribution Development Office (Eddo), Meralco's concession agreement with Peza for the operations and maintenance of the power distribution facilities in the CEZ runs until May 2039.



Rene Acuña
Meralco VP and Head,
Electric Distribution
Development Office

'Industrial customers are price-sensitive in a very competitive market.'

As such, Peza is "also tasked to extend incentives to attract investments in the area," elaborates Meralco Vice President and Eddo Head Rene Acuña. "The role of Meralco CEZ is to support their requirements on the power side."

Located 30 kilometers south of Manila, CEZ covers 366.5 hectares (ha.) of land within the municipalities of Rosario and General Trias. As of September 2016, it has about 300 industrial locators, mostly Japanese and Korean companies, and some 90,000 employees. At 100 megawatts, the CEZ's power requirements seem typical of the average Philippine distribution utility. But this is as far as the comparison goes.

Residential customers need standard power quality across the board, but at the CEZ, the power requirements vary from one customer to another. The voltage regulation needed by an electronics company, for example, would be very high.

Cost is another critical factor to manufacturers at the CEZ. "We have to provide very high quality power at low cost," Acuña stresses. "Our industrial customers are very price-sensitive and in a very competitive market; whatever we do can affect their profitability."

Putting the customer first

The CEZ remains the biggest economic zone operated by the government, and Torres believes managing the challenges here calls for an entrepreneurial mindset and a customer-first approach. This requires Meralco team members to think like their clients and anticipate their needs.

Meralco CEZ initially held a town hall meeting with the locators, to discuss plans to improve the quality, reliability, and safety of the zone, as well as its commitments to customer service.

"Our contract with the CEZ asks us to go beyond the meter," discloses Acuña. "If you have problems after the meter, typically the lineman would say, 'Please get

an electrician to fix it.' Peza asked us to help the customer even within their premises, providing a one-stop, non-stop service."

So while customers in other franchise areas need to find their own contractors, CEZ locators are encouraged to seek Meralco's assistance. "If they encounter any electrical trouble that we can take care of," Torres adds, "we help them directly."

Building a more sustainable system

The Cavite ecozone is a test case for Meralco CEZ, which saw the power distributor exceed expectations. Meralco is already being tapped to provide power at an adjacent 9.6-ha. site that the CEZ plans to open.

Part of its success lies in its ability to mount initiatives to support the sustainability of the economic zone's operations and its growth. Improvements to the network, for instance, entail retiring old lines, installing new ones, and refurbishing all others. The CEZ customers are likewise encouraged to use equipment that meet Meralco standards.

"Meralco uses very high-efficiency transformers," according to Acuña. "It's more expensive, but it's cheaper in the long run, and you reduce system loss. That's one way we keep prices down."

EDDO EXPANSION PROJECTS

Part of its success lies in its ability to mount initiatives to support the sustainability of the economic zone's operations and its growth.



Ronald Torres
General Manager
Meralco - Cavite Economic Zone

'We were the first ecozone in the Meralco franchise that restored power in 24 hours.'

Meter audits also reduce system loss. Over a two-year period, Meralco CEZ detected meter defects and meter-installation errors, and reduced losses from 3.5 percent to 2.4 percent, one of the lowest in the country.

Peza and Meralco CEZ, in time, will also consider harnessing solar energy, since most locators have expansive rooftops.

At the end of the day, Meralco wants to make the businesses it serves sustainable. "We're all neighbors," Acuña summarizes. "We're all living in the same ecosystem. If they don't succeed, we don't succeed. We want our customers to succeed, so they can profitably operate here in the country for a very, very long time." 🌱

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