

## RP firms gear up for 2009 growth

Philippine companies expect to boost their investments this year and perform well despite the global financial crisis, the latest Grant Thornton's International Business Report (IBR) showed.

Greg Navarro, Managing Partner and Chief Executive of Punongbayan & Araullo, a member firm of Grant Thornton International Ltd., said the optimism was brought about by the relatively resilient Asian economies compared to those of the United States, Japan, and Europe.

Navarro said the world financial crisis creates opportunities for local firms because businesses in mature markets are bent on reducing costs.

*"One way companies can go about doing is to move investments from more developed countries to alternative locations where the cost of doing business is significantly lower,"* he said.

*"The Philippines is one ideal alternative for those investors,"* he added.

Based on IBR 2008 study, 69% of local manufacturers reported employment growth in the past year while the European Union reported the weakest.

*"There was also a significant rise in the Philippines' ratio - from 40% to 64% - of manufacturers who expect to increase investment spending on plant and machinery,"* Navarro said.

Latest data from the National Statistics Office (NSO) showed that local manufacturing output

registered strong expansion in September last year, growing by 12.5% and 19.7% in volume and value terms, respectively.

*"We are in a good position to attract those investors who are looking for the most cost-efficient way to stay in business,"* Navarro said.

*"While nobody is immune to the slowdown, we have it within our means to keep the economy resilient,"* he added.



### RP improves in business confidence

The Philippines inched up three notches to 96<sup>th</sup> out of 141 economies as a recipient of foreign direct investments (FDIs) in 2007 from 99<sup>th</sup> in 2006, the World Investment Report 2008 of the United Nations Conference on Trade and Development (UNCTAD) said.

The report acknowledged efforts of governments to improve investor confidence — especially in Southeast Asia — but warned that the global financial crisis had begun to impact on cross-border investment activities.

*"While global FDI flows are projected to decline this year, those to developing and transition economies are expected to suffer less, despite the current financial and credit crisis,"* UN Secretary-General Ban Ki-moon said.

The report examined the ways, extent, and conditions under which transnational corporations could contribute to meeting the needs of developing economies to build necessary infrastructure.

A related report, the World Investment Prospects Survey 2008-2010, showed that Southeast Asia, along with South and East

Asia, remained as the top preferred region for investments.

Among the factors that attract FDIs to the region are market growth, availability of cheap labor, buoyant economic growth prospects, further regional integration, and noticeable improvements in the business environment for foreign firms.

Meanwhile, National Competitiveness Council (NCC) Co-Chairperson Cesar B. Bautista said the Philippines might return to being among the top one-third of the world's economies in two years, particularly if efforts to create a favorable environment for business would continue.

## **BOI offers tax perks to innovative business**

To generate more technology investments, the **Board of Investments (BOI)** has decided to provide tax holidays and other incentives to business having innovative products and services.

Companies introducing innovations that have Philippine patents or certified as innovative by the **Department of Science and Technology (DOST)** can get a six-year income tax holiday (ITH).

Companies that seek to enhance existing products by adding functions will get a four-year ITH, but firms that go into research and development (R&D) to reduce the cost of an existing product do not qualify for the incentives.

*“All these must be manufactured or produced in the Philippines,”* BOI Board Member Francisco Ferrer said, adding that those qualified for the incentives no longer need to put a facility inside an economic zone.

Other incentives include tax and duty exemption on imported equipment, wharfage fees, export tax, 12% value-added tax (VAT), and the unrestricted use of consigned equipment and employment of foreigners.

The move is part of the National Innovation Strategy adopted by the government to scale up the local industries' production capacity.

## **Express lane for garment exports to US set**

The Philippines and the United States are working together for the establishment of a Customs express lane for garment exports.

**Department of Trade and Industry (DTI)** Senior Undersecretary Thomas G. Aquino said this trade facilitation was discussed during the recent meeting of the US and Philippine panel to review the Trade and Investment Framework Agreement (TIFA).

*“This is the basis of a closer cooperation between the two countries,”* Aquino said, citing that the US would look for an efficient and competitive supplier retailing due to the global economic slowdown.



*“Competition starts from the retail, so whoever is able to maintain price and efficient delivery of goods gets to sell more,”* he said.

It could be recalled that the private sector has strongly pitched that the Philippines and the US forge an FTA for the garment sector to give them an advantage over other countries.

The US has remained the country's biggest garment export destination. But with the lifting of the quota system, this particular Philippine export product to US likewise declined.

## **Exporters strengthen alliance with government**

Local exporters push for stronger ties with the government as they brace for the impact of the global financial crisis.

Also, the **Export Development Council (EDC)** said P280M has been earmarked to promote outbound trade and for various projects.

EDC data showed that P65.6M has been allotted for projects that were already being implemented. The council was still evaluating proposals for at least 20 projects worth P216.7M.

The **Department of Trade and Industry (DTI)** said various fora would be held to strengthen private and public sector partnership and encourage exporters to maximize opportunities brought about by the global economic slowdown.

**Textiles town to rise in Clark**  
**Department of Trade and Industry (DTI)** Secretary Peter B. Favila said the government has approved tax incentives and duty-free importation of capital equipment for foreign investors that would set up textile factories in the Philippines.

The proposed hub will be located in Clark Freeport, the former US airbase.

*“We are putting up a garments and textiles town. There are a lot of companies that are planning to move out of China and are looking at Viet Nam and the Philippines,”* said Favila.

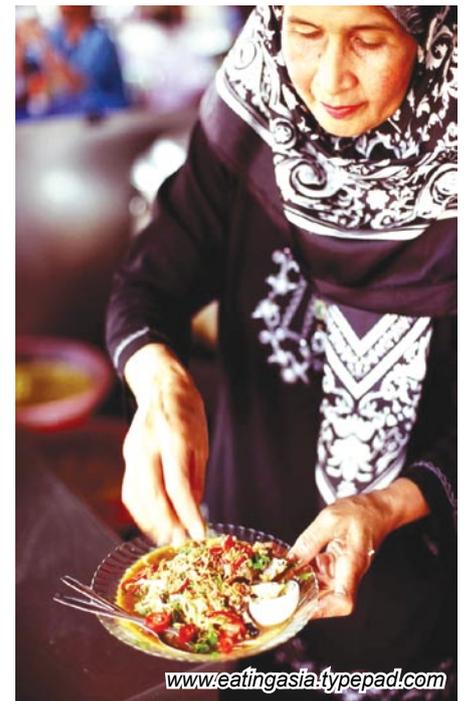
Freeport locators are entitled to perks such as income tax holidays and duty-free importation of raw materials.

## **Private sector pushes halal industry**

The Philippine halal food industry is getting a boost as Mindanao's private sector takes a more active role in charting the industry's development.

Businesspeople from Mindanao pushed for the development of a regional industry plan that reflects the national halal framework and addresses specific business concerns of the region.

Halal is an Arabic term for *“permissible”* and is used when referring to food that is acceptable for consumption according to Islamic law.



The proposal will cover not only food processing and manufacturing but also downstream activities such as branding and promotion.

The **Mindanao Economic Development Council (MEDCO)** agreed to take the lead in holding workshops this year leading to the formulation of a three-year Mindanao Halal Food Industry Development Plan to be jointly implemented by the public and private sectors.

At present, poultry growers' associations in northern Mindanao areas are already preparing to pilot the export of halal products to the Middle East.

Mindanao was identified in the 2004-2010 Medium-Term Philippine Development Plan (MTPDP) as the center of the country's halal food industry.

In the early part of 2008, the Department of Trade and Industry-Bureau of Product Standards (DTI-BPS) announced the Philippine National Standards (PNS) on Halal Food formulated by local Islamic scholars.

The rapidly growing global market for halal certified food products is currently estimated to be around \$580B.

### Top 25 contact centers post \$1.7B revenues

The 25 leading operators of contact centers in the Philippines reported P68.5B, or \$1.7B, in aggregate revenues in 2007.

#### Top 25 contact centers in RP in 2007

<u>Firms</u>	<u>Revenues</u> <i>(in Php Billion)</i>
eTelecare Global Solutions, Inc.	7.1
Sykes Asia Inc.	6.4
PeopleSupport Philippines, Inc.	6.1
Convergys Philippines Services Corp.	6.0
HSBC Electronic Data Processing Philippines Inc.	3.6
ICT Marketing Services, Inc.	3.6
Telus International Philippines, Inc.	3.3
IBM Business Services, Inc.	2.7
Advanced Contact Solutions, Inc. (ACS)	2.6
Telephilippines, Inc.	2.5
ClientLogic Corp.	2.5
Dell International Services Philippines, Inc.	2.4
INFONXX Philippines, Inc.	2.3
Deutsche Knowledge Services Pte. Ltd.	2.0
Cyber City Teleservices Philippines, Inc.	1.9
Apac Customer Services, Inc.	1.8
Parlance Systems, Inc.	1.6
JP Morgan Chase Bank N.A. Philippine Customer Care Center	1.5
ePerformax Contact Center Corp.	1.5
Sitel Customer Care Philippines Inc.	1.4
West Contact Services, Inc.	1.3
Hinduja TMT Ltd.	1.2
Sutherland Global Services Philippines, Inc.	1.1
Synnex-Concentrix Corp.	1.1
Vocativ Systems, Inc.	1.0

*"This is the first time that we've actually managed to put together the reported revenues generated by some of the largest players in the contact-center sector,"* said Catanduanes Rep. Joseph Santiago, who is also the

Chairman of the House Information and Communications Technology (ICT) Committee.

*"By no means does the P68.5B cover the entire contact center sector,"* clarified Santiago.

*"This gives us a better sense as to how large the contact-center sector, which is driving the broader business process outsourcing (BPO) industry, has become,"* he said.

### Non-voice BPO providers optimistic

Non-voice business process outsourcing (BPO) firms in the country expect their workforce and revenues to grow in 2009, a recent survey showed.

Notably, some 96% of respondents were highly optimistic about 2009 prospects, describing them as good, excellent, or outstanding.

Almost 65% said 2009 prospects were excellent to outstanding and 30% said prospects were good. Only 5% said 2009 prospects were fair. None responded that prospects were poor.

Some 65% of polled firms said they expect to expand their workforce from 16% to over 200% and 92% of these respondents said their workforce would grow by 6%. Moreover, some 80% were confident that their revenues would increase between 11% and 50% in 2009.

The online survey was conducted by the Business Processing Association of the Philippines (BPA/P) in partnership with the Outsource2Philippines in November 2008 to assess the state of the country's non-voice BPO industry.

### RP animation industry seen to expand

The country's animation industry is poised to expand rapidly as it is expected to hire some 30,000 animators by 2010, the Animation Council of the Philippines, Inc. (ACPI) reported.

ACPI Executive Director Avic Ilagan noted a growing interest among animation houses and independent animators in creating original contents.

She said original content production must be pursued by animation houses, encouraging fresh talents to build a career in the animation industry.

Presently, some 50 small and medium-sized animation studios flourish in the country employing roughly 8,000 workers who are skilled in two-dimensional (2D), three-dimensional (3D), and four-dimensional (4D) animations; digital ink and paint service; flash animation for animated series; web animation; and gaming.

This \$105-M industry is now exploring markets outside the US, teaming up with the European Chamber of Commerce of the Philippines (ECCP) to enter Europe.

The Business Process Association of the Philippines (BPA/P) said the Philippines has been a major producer of animation in the Asia-Pacific region since the 1980s.

The local industry has been producing projects for American, European, and Japanese markets, especially for global firms like Walt Disney, Warner Brothers, Cartoon Network, HBO, Hanna Barbera, Nelvana, and Toei Japan.

*"The Philippines has intrinsic characteristics to compete in several emerging non-voice areas, particularly in the animation sector, but will need to take actions to capture the opportunities,"* BPA/P Chief Executive Officer Oscar Sañez said.

Records show that the local animation industry grows by 20% every year. The growth, however, is being limited by the insufficient pool of animators.

### Local medical tourism gets boost

The local tourism industry is positioning the country as a medical and health destination for Middle Eastern tourists who prefer services in Southeast Asia, particularly the Philippines.



The move underpins the country's hosting of the 4<sup>th</sup> Annual World Health Tourism Congress on 26-28 March 2009 at the Sofitel Philippine Plaza Manila.

*“The [holding of the Congress in the] Philippines, being the first country in Asia Pacific to serve as a venue for this prestigious global event, marks our serious effort to be positioned as a global health and wellness destination,”* Department of Tourism (DOT) Secretary Joseph H. Durano said.

The Congress will bring hundreds of leading health and wellness tourism players - both buyers and sellers - from all over the world, Durano said.

Focusing on sports medicine, wellness, medical and cosmetic treatments, the Congress invites hotels, spas and health resorts, airlines and air ambulance firms, medical services agents, inbound tour operators specializing in health tourism, and general and specialist hospitals and clinics.

### **Branding strategy needed for EU market**

A group of local experts urged exporters of gifts and decorative products to adopt a national branding strategy to facilitate re-entry to the European Union (EU) market.

The need for the strategy was identified in the export marketing plan that was presented during a seminar attended by décor producers and exporters recently.

To tap the lucrative market of 458M consumers, the industry needs to develop branded products rooted in the unique Philippine history.

*“This approach in brand development has not been fully exploited. The history of the Filipino people cannot be copied nor duplicated,”* the marketing plan report noted.

The report stated that high quality product lines can be created to form part of the country’s premium brand, more especially with Filipino craftsmanship and artistry.

As part of its strategic positioning, the industry will develop export products made from indigenous materials, particularly abaca.



However, rather than exporting abaca merely as raw materials, the plan cited the need for the sector to create new finished products from abaca *“so it can export the material with value-added and take a slice of that market currently dominated by abaca importers.”*

### **Construction to remain major growth driver**

Boosted by increased government infrastructure spending and the projected increase in private sector investment in housing and business process outsourcing (BPO) facilities, the construction industry will remain a major growth driver of the economy in 2009.



The National Economic and Development Authority (NEDA) even expected the sector to continue posting double-digit expansion this year.

*“Construction will continue to be strong, especially this year when all these investments come in,”* NEDA Policy and Planning Director Dennis Arroyo said.

Data from the National Statistical Coordination Board (NSCB) showed that construction grew by 21.3% in the third quarter of 2008, accelerating from 17.8% in the comparative period in 2007.

Arroyo said the growth in the sector was brought about by a growing demand for housing, especially with the move of Home Development Mutual (Pag-IBIG) Fund to cut its interest on housing loans from a high of 12% to only 6% per year.

Moreover, the housing sector benefited from the continued growth in remittances from overseas Filipinos.

Another contributor to the construction boom is the rising demand for office space by BPO firms. It is projected that by the second quarter of 2009, more US-based and European firms would outsource some of their operations to countries like the Philippines to cut down on operation costs.

## **TRADE AND INVESTMENTS**

### **Banking**

#### **Citibank invests P3B for expansion**

Citibank is investing a total of P3B to improve its online, customer services, and other transactions offered to clients across six countries in the Asia Pacific region.

Part of its expansion program is the hiring of 1,000 people for call centers, financial reporting, and service center this year after hiring 500 last year, Citibank Country Manager Mark Jones said.

*“We expect the Philippines to be a preferred location as the regional hub and center of excellence because of the superior skilled workers and attractive labor costs,”* Jones said.

#### **Exportbank allots P250M for renovation**

Export and Industry Bank (Exportbank) allots about P250M to renovate its 50 branches, 18 of which had already been refurbished last year.

*“We have no plans of applying for new branch licenses nor we are looking at kiosks, although we are still expanding offsite ATMs [automated teller machines],”* Exportbank President Nilo L. Pacheco, Jr. said.

The medium-sized bank will remain focused on its niche market, which is the middle market and high net worth individuals.

### **BPO**

#### **Two firms to expand RP operations**

Senior Executives of Ingram Micro, Inc. and TeleTech apprised President Gloria Macapagal-Arroyo of their expansion plans in the Philippines this year, which the government cited as a proof of the country’s resilience to the global economic crisis.

*“This means that in spite of the United States’ financial crisis*

and concerns that we may have problems as well, there are investors who are world leaders in technology who still see the Philippines as a fertile ground for investments," Press Secretary Jesus Dureza said.

Meanwhile, Trade and Industry Secretary Peter B. Favila said TeleTech Chief Executive Officer Kenneth Tuchman will visit the Philippines "soon" in relation to the firm's expansion plans in the country.

**StarTek to hire more agents**  
Denver-based StarTek is expanding its workforce in Makati - its first facility in the Philippines, which has the capacity to employ 1,100 personnel.

The facility started hiring in July last year, initially taking in 200 people. For the next batch, the company intends to hire 400 more people.

StarTek Philippines General Manager Susan Padley expressed confidence that prospective employees would be attracted to the company despite competition from other business process outsourcing (BPO) firms.

New agents will undergo a comprehensive training program as part of the company's management and agent development initiatives.

Padley said personal interest-focused clubs, fitness programs, sport tournaments, and other activities provided work-life balance for workers.

**JP Morgan expands facility**  
JP Morgan Chase & Co. is expanding its outsourcing operations in the Philippines with 6,000 more seats this year for a total of 8,400 seats by end of 2009 to support its global operations.

Senior Country Operations Officer Barry E. Marshall said the additional seats this year would beef up its existing back office operations in Fort Bonifacio.

In September last year, the company opened its 14,050-seat call center facility at the New Quad Building in Fort Bonifacio.

The company's business process outsourcing (BPO) operation in the country has been running for the past five years already and has been serving its American credit card clientele.

JP Morgan did not sustain as much damage from the United States' subprime mortgage mess by avoiding bad mortgage investments and focusing instead on its commercial and retail banking businesses.

The company said its expansion attests to its increased optimism on the Philippine economy.

## Electronics

**Texas Instruments pushes \$1-B investment**  
Clark Development Corp. (CDC) President and Chief Operating Officer Benigno N. Ricafort said electronic giant Texas Instruments (TI) will continue its \$1-B investment in the freeport.

Ricafort said the phase one of the company's construction of the facility is near completion. It is projected to generate some 6,000 jobs when full operation starts this year.

## Energy

**\$30-M malunggay biodiesel plant pushed**  
A memorandum of agreement (MOA) has been forged between United States' Green Energy Technology and Filipino firm Secura International Corp. to put up a \$30-M biodiesel plant using malunggay oil.



The malunggay biodiesel complies with the American Society for Testing and Materials' (ASTM)

biodiesel standard based on several criteria including viscosity, cloud point, and oxidation.

"Why not? Any vegetable oil can be used for biofuel. Coconut is very expensive, while this (malunggay) involves just a tenth of the price of coconut," Secura International Corp. President Danilo M. Manayaga said.

## RP-UK group to build 5 biomass projects

Renewable energy firm Global Green Power PLC Corp. will invest a total of \$200M for five biomass projects that will deliver 87.5-megawatt (MW) power in five areas around the country.

Company Chief Executive Officer David de Montaigne said the company will put up biomass plants in areas where agricultural residues exist, such as Panay, Nueva Ecija, Pangasinan, and Samar.

Each biomass plant will produce 17.5-MW power and is estimated to cost about \$40M to build.

The company is working with the Land Bank of the Philippines (LBP) and other banks to finance the plant's construction.

"The company obviates the need to use foreign currency to purchase imported coal and oil and each power plant provides 900 direct and indirect jobs to the local communities," de Montaigne said.

## P300-M ethanol plant opens in Leyte

The Philippines has opened its first ethanol plant in Leyte with a P300-M investment with Indian partner Praj for a 20,000 to 27,000 l. per day production.

Philippine Agribusiness Development Corp. (PADC) President Marriz Agbon said Leyte Agri Corp. (LAC) has started operation after converting its sugar mill into an ethanol distillery.

"This is the result of a visit of [Department of Agriculture (DA)] Secretary (Arthur) Yap in India last year when they got investment from Praj, a technology provider," Agbon said.

Praj has put in P33M in the project as it supplied the distillation column, which enables the plant to produce 95% ethanol.

Agbon said it has become more attractive for existing mills to also

turn their plant into an ethanol producer considering the surplus in the country's sugarcane production that is sending price to low levels.

*"Right now the sugar industry is facing a challenge of excess sugar production, so ethanol production is a good option for sugar millers," Agbon said.*

### **Phoenix Petroleum to double gas stations this year**

Listed independent petroleum player **Phoenix Petroleum Philippines, Inc.** is seeking to more than double its network of stations nationwide to 180 via more dealership agreements.

Company President and Chief Executive Officer Dennis A. Uy said an investor wanting to operate a Phoenix gas station, provided he has a ready site, needs to shell out only P500,000 as a franchise fee and at least P350,000 in capital expense. The amount will vary depending on the location, he added.



Of Phoenix's 85 stations, only one is in Luzon and the rest are in Mindanao.

Uy said the expansion would be partly funded by a P750-M loan from several banks. Much of the borrowings have been used to expand depot and logistics facilities in Davao City and Calaca, Batangas.

He added that they were also looking for a site where they can build a depot in the Visayas - a market it has yet to explore.

The company opened 13 stations in October last year that added to its 72 stations as of end-September last year, a huge jump from only 27 a year earlier.

## **Infrastructure**

### **P100-B infra package underway**

A P100-B stimulus fund for infrastructure projects is expected to be ready by this month, the **Philippine Chamber of Commerce and Industry (PCCI)** said.

PCCI Chair Sergio Luis-Ortiz, Jr. said the guidelines for using the fund were being readied and that at least one project should have started its implementation within the first quarter of the year.

*"Government financial institutions - like the **Development Bank of the Philippines (DBP)**, **Land Bank of the Philippines (LBP)**, and **Social Security System (SSS)** - are working on it," Luis-Ortiz said.*

*"Some private entities are also cooperating, but they do not want to be identified yet," he added.*

The PCCI has been pushing for such a fund to be used for government and private sector joint ventures, which the group seeks as a way of mitigating the effect of a global recession on the Philippines.

PCCI President Edgardo G. Lacson said the projects would include the link-up of the existing light rail systems in Metro Manila and the planned additional lines and others that *"may no longer be accommodated by foreign funding and too big for local banks."*

### **P300M allocated for new Fort roads**

The **Bases Conversion and Development Authority (BCDA)** has allocated P300M for roads and utilities to spur the development of the prime North Bonifacio area in Global City, Taguig, which is up for disposition.

BCDA Land and Assets Development Department Project Manager Dean Santiago said the infra projects include the construction of three major roads - 8<sup>th</sup> and 9<sup>th</sup> Avenues and Rizal Drive.

Both 8<sup>th</sup> and 9<sup>th</sup> Avenues would be constructed in tandem with **Metropolitan Bank (Metrobank)** while the Rizal Drive would be undertaken all by BCDA. Biddings for these projects would start this year.

Santiago said that 9<sup>th</sup> Avenue would complete the east to west access from C-5 to Epifanio de los Santos Avenue (EDSA) while the completion of the 8<sup>th</sup> Avenue would open the north to south access from JP Rizal to Guadalupe.

The Rizal Drive, on the other hand, will open C-5 Kalayaan as an alternate route because the 32<sup>nd</sup> St.-Mabini Avenue is already congested.

Aside from the roads, part of the fund would also be used to

install utilities like underground cables, power, water, and sewer among others.

## **Manufacturing**

### **Taiwan firm puts in \$5M for casting facility**

**Tong Lung (Philippines) Metal Industry Co. Ltd.**, a Taiwanese manufacturer of locksets and doorknobs, has unveiled its new \$5-M zinc-die casting and facility plant at the Subic Bay Freeport, making the area its second production hub in Asia.



Tong Lung exports its products to various markets in Asia, America, Europe, and Africa. Both its factories in Taiwan and Subic undertake production using computer-aided design and automated precision machinery.

*"We now have a thousand suppliers and sub-contractors, and I hope to see that the Subic plant will become the second base for hardware production for Tong Lung Co. in Asia,"* Company Chairman Tony Ho said.

The new facility will open up 1,000 new jobs when fully operational.

### **Fiber exporter sets P157.6-M expansion**

**Specialty Pulp Manufacturing, Inc.**, a company engaged in the processing of indigenous fibers for the export market, is pouring in P157.6M for the expansion of its operation to serve the growing preference of natural products abroad.

The **Board of Investments (BOI)** has approved the project in Barangay Hilapnitan, Baybay City in Leyte. As its expansion project, the company would be entitled to incentives such as four-year income tax holiday (ITH) and duty-free importation of capital equipment, among others.

The project would mean an additional 5,250-metric ton (MT) annual capacity.

The company is using endemic fibers, primarily abaca with jute and kenaf as alternative raw materials. These fibers mostly come from the Eastern Visayas region, specifically Samar and Leyte where plantations abound.



Jute is a long, soft, shiny vegetable fiber that can be spun into coarse, strong threads. It is one of the cheapest natural fibers and is second to cotton in amount produced and variety of uses.

Kenaf, on the other hand, is one of the allied fibers of jute and shows similar characteristics.

The pulp will then be sold to Specialty Pulp's current clients in the United States, United Kingdom, China, and Germany.

The fiber would then be processed further into teabags, coffee filters, cigarette papers, meat casing, sausage casing, and specialty papers for currency and security, tracing, thermal, and diploma among others.

Specialty Pulp's expansion project is expected to start in April this year, employing 20 people.

## Mining

### Dubai, China firms to invest P13B

Two contracting giants in Dubai and China - the **Emaar Project Properties PJSC** and the **China Metallurgical Group Corp. (MCC)** - are investing in the Philippines and may prop up mining investments here beyond government's \$10B-\$13B target by 2010.

**Department of Environment and Natural Resources (DENR)** Secretary Jose L. Atienza, Jr. said the two companies have expressed interest to pour in capital to develop local mines.

*"China's MCC is credited for the growth of China's steel industry, and Dubai property giant Emaar Project Properties PJSC is the*

*company that built the Burj Dubai, the tallest building in the Emirates,"* Atienza said.

*"If these two big projects materialize, we will overshoot our present targets of \$10B-\$13B investments in 2010,"* he added.

Atienza got hold of these commitments, particularly the one from China, as a Philippine team pitched in for the bright prospects of Philippine minerals at the China Mining Congress in Beijing, which was organized by China's **Ministry of Land Resources** and was attended by some 3,000 investors.

### Nickel-cobalt plant to rise in Palawan

China's **Jiangxi Rare Earth and Rare Metals Tungsten Group Corp.** will build a pilot nickel-cobalt ore processing plant in the Philippines.

The plant will be built at **Berong Nickel Corp.**'s mine site on the western island of Palawan and is expected to have a capacity of 3,000-5,000 tons a year, which will be sold to Chinese firms at global market prices.

**Atlas Consolidated Mining and Development Corp.**, which has a 25.2% stake in Berong Nickel Corp., said the plant would provide key inputs to the eventual construction of a full-scale plant capable of processing up to 40,000 tons of ore a year.

The **Jiangxi Group**, owned by China's Jiangxi province and the world's largest tungsten and rare metals processing company, is now building a refinery in China to process the product from the Berong leach plant.

Berong Nickel Corp. will have an option to acquire up to a 25% stake in the refinery.

## Policy

### Renewable energy bill signed

President Gloria Macapagal-Arroyo signed last 16 December 2008 into law the Renewable Energy Act of 2008, a measure that seeks to promote the development of renewable energy sources like solar, wind, water, and biomass.

The measure provides fiscal incentives to companies that would invest in renewable energy projects and directs the **Department of Energy (DoE)** and the **National**

**Power Corp. (NPC)** to connect renewable energy sources to the national power grid.

Renewable energy developers will get a seven-year income tax holiday (ITH) and will be imposed with a 10% corporate income tax, lower than the regular 30%, once their ITH expires.

Power from renewable energy sources will be value added tax-exempt.

Renewable energy facilities will be given a 1.5% realty tax cap on the original cost of equipment and facilities used to produce energy. Importation of equipment and materials to be used for renewable projects would be duty-free for 10 years.

## Power

### Formosa to double RP investments

The **Manila Economic and Cultural Office (MECO)** announced that **Formosa Heavy Industries Corp.** of Taiwan will double its investments in the Philippines to \$1.5B this year.



MECO Commercial Affairs Director Dita Angara-Mathay said Formosa will invest \$700M in two more new coal-fired plants in the Philippines on top of the \$700M Formosa has spent for two coal-fired power plants in Toledo, Cebu and La Paz, Iloilo.

Angara-Mathay said Formosa will be hiring 8,000 workers for the two coal-fired power plants, which were built through a joint venture by Formosa and the **Metrobank Group of Companies**.

The two power plants have a combined capacity of 150 megawatts (MW) and currently employ 12,000 workers.

## Real Estate

### Korean group to construct \$120-M hotel in Subic

A 15-story integrated resort-hotel worth \$120M will soon rise along the Waterfront Drive in the Subic Bay Freeport to provide a landmark development complete with convention center and casino, the Subic Bay Metropolitan Authority (SBMA) said.

SBMA Administrator Armand C. Arreza said the project will be known as Ocean 9 Casino and Hotel Resort.

Proponent-firm Grand Utopia, Inc. Chairman Moon-Sung Choi said the main facility will be a 15-story hotel that will occupy an area of 9,173 sqm., while the secondary building that will occupy 4,200 sqm. will house a 3-storey casino.

The project, which is expected to yield more than 5,000 jobs, is scheduled for completion within two years, Choi said.

### SM unit allots P3.2B for condo project

SM Development Corp. (SMDC) has allotted P3.2B for the completion of its condominium project, the 7.8-ha. Field Residences in Sucat, Parañaque City.



SMDC President Roger R. Cabuñag said the company was also set to launch two completely new projects within the first quarter of the year and turn over the first phase or the first two buildings of Mezza Residences in Sta. Mesa, Manila, its first residential condominium, during the same period.

He said the company's capital expenditures would slightly increase this year as construction of six on-going projects continues and the two new projects - Princeton Residences that will rise beside

the Gilmore Station of Light Rail Transit (LRT) Line 2 along Aurora Boulevard in Quezon City, and Tree Residences in Cainta, Rizal - break ground.

SMDC Assistant Vice President and Field Residences Project Director Gilbert C. Ang said the Sucat project, a 10-building residential condominium complex just behind SM City Sucat, would have a total of 2,800 units upon completion by 2013.

The project is the firm's second "condominium village" in Parañaque City after the company introduced the concept of a resort-type community composed of mid-rise condominium clusters with Chateau Elysée.

### BOI approves five projects worth P1B

The Board of Investments (BOI) has approved five projects with a combined cost of P1B mostly dominated by mass housing projects led by RFM Corporation's low-cost mass housing venture.

RFM's P586.2-M mass housing project called W.H. Taft Residences under its subsidiary Philtown Properties, Inc. is a 30-story condominium built on a 1,183 sqm. lot along Taft Avenue in Manila.

Another real estate project is the P246.4-M modernization and rehabilitation of Cebu City Marriott Hotel by Cebu Insular Hotel Co., Inc., a joint venture by Ayala Hotels, Inc. and its affiliate, Cebu Holdings, Inc.

The other two property projects approved are the phase 3 of the Monte Brisa low-cost mass housing projects of Landworks Asia, Inc. worth P51M and the P21.2M-project of CitiHomes Builder and Development, Inc.

Also approved was the P125.8M inter-island shipping project of Rapal Inter-Island Shipping, Inc.

## Shipping

### Shipping firm sets P764-M expansion

Davao-based Chelsea Shipping Corp. is investing P764.2M to modernize its existing inter-island operation for petroleum products distribution.

The firm said the amount would be used to acquire and operate a brand new 6,000 dead weight ton

(DWT) double-hulled steel oil tanker called M/T Chelsea Cherylyn.

Domestic or inter-island shipping is listed as a priority economic sector for promotion under the 2008 Investment Priorities Plan (IPP).

The vessel, which is imported from China, is designed to carry fuel oil and heavy diesel oil across islands domestically. The tanker can carry a maximum cargo of 5,634 cubic meters of oil or roughly 35,440 barrels. The fuel capacity is 419 tons of fuel oil, giving the vessel about 5,000 nautical mile range.

The new oil tanker, which is expected to employ 21 people, is projected to be fully operational in April this year and will serve from Manila to any point in the country.

## Telecom

### Qatar telco to invest \$1B

Qatar Telecom QSC (Qtel) will invest as much as \$1B under a joint venture with food and beverage giant San Miguel Corp. to tap the local communication market.

Under the deal, the Filipino conglomerate will own 60% of the venture and Qtel will have the rest.

Qtel will invest \$150M and raise this to \$1B after a year - the biggest Qatari investment in the Philippines.

Qtel said the deal would see the two companies start exploring opportunities in wireless broadband, mobile, and mobile broadband markets in the Philippines.

### ABS-CBN expands TV infrastructure

ABS-CBN Broadcasting Corp. is allocating some P37M to improve and expand its television infrastructure in Northern Luzon and Bicol.

In separate filings with the National Telecommunications Commission (NTC), ABS-CBN said it wants to increase the power of its ultra high frequency television



(UHF-TV) station in Baguio City from 10 kilowatts (KW) to 20KW.

The project is estimated to cost some P18M, which will cover operational and capital expenditures.

The company also wants to put up 1-KW TV stations in Bantay, Ilocos Sur, and in Iriga, Camarines Sur - each costing more than P9.5M.

The company said it has programmed P1.6B for capital expenditures in 2009. The budget excludes capital allocation for the expansion projects of cable television unit SkyCable.

### Telecom interconnection spurs economic growth in Clark

The on-going telecommunications interconnection project of the **Clark Development Corp. (CDC)** will generate additional jobs and investments to this Freeport zone and the rest of Pampanga.

Mabalacat Mayor Marino Morales raised this optimistic forecast following CDC's inclusion in the list of the Top Ten First *Gawad Pampublikong Korporasyon*.

With cheaper telecommunications in Clark and the rest of Pampanga, local and foreign investors "would be more enticed" to bring their businesses to this Freeport.

*"With more locators flocking to Clark, this means more employment generation,"* Morales said.

Recently, President Gloria Macapagal-Arroyo bestowed an award to the CDC for its telecommunications interconnection project dubbed *"Interconnection and Integration of Clark Telephone Lines with the Rest of Pampanga."*

Morales commended the **Metro Clark Advisory Council (MCAC)** - an influential partnership group between the CDC and contingent local government units (LGUs) within the Metro Clark area - for initiating the project in 2001.

He stressed that MCAC's thrust is in line with Arroyo's vision of transforming Clark into a world-class logistics and services hub in Asia.

*"With cheaper phone calls due to the interconnection of telecom companies, it will no longer be difficult for the government to serve the business sector, LGUs, and even residents,"* Morales noted.

## MAJOR PROJECTS

### P1.9-B Butuan road project starts

The economy of Butuan City is expected to intensify further with the planned construction of a P1.9-B circumferential road.



City Mayor Democrito D. Plaza said the vital project will connect Barangays Bitos and Tungao, passing through Las Nieves in Agusan del Norte, and all the way to Esperanza and Bayugan City in Agusan del Sur.

**Cavite Development**, the lowest bidder for the project, is expected to complete the construction work within 18 months.

Plaza said the circumferential road is part of the city government's farm-to-market road program, which would provide accessibility to the local farmers to transport their agricultural products to the market and nearby areas.

*"This project is a big help in the two Agusan provinces and the cities of Butuan and Bayugan,"* Plaza said.

### P1.2-B Ilocos Sur-Cordillera road link on roll

A P1.2-B road project with funding assistance from the **Japan Bank for International Cooperation (JBIC)** is being constructed in the hinterlands of Ilocos Sur and Benguet.

Considered a heritage highway, the Suyo-Cervantes road links two cultural rich regions, the old Spanish colonial towns in Ilocos Norte and Ilocos Sur and the tribal ethnic communities in the Cordilleras.

Once completed, the road will serve as a faster alternate route for Benguet residents towards the Ilocos provinces without passing through Baguio City.

The project involves the construction of 45 km. of concrete

road, replacement of nine bridges, one multi-barrel spillway, three special type reinforced concrete box culvert and provision of drainage, and slope protection works.

It will be connected to the newly started Cervantes-Mankayan-Abatan Road Project, which is also being implemented by the **Department of Public Works and Highways (DPWH)**.

## COMPANY NOTES

### Gardenia pushes P850-M expansion

**Gardenia Bakeries, Inc.** will invest P850M over the next two years to expand its production facilities in anticipation of a recovery in bread consumption amid declining flour prices.

Gardenia President Simplicio Umali, Jr. said that the company would push through with the construction of a P700-M new loaf bread plant in its complex in Sta. Rosa, Laguna within the year.

Another P150M is earmarked for a new plant in Cebu which is scheduled to operate in 2010.



Umali said the company preferred a plant location in one of the economic zones in Cebu, which will supply the Visayas and Mindanao markets.

Umali said the downward trend in flour prices, which was expected to boost bread consumption in the coming years, had prompted

Gardenia to speed up its expansion, with the Laguna plant fully operational by the second half of 2009.

The new plant is in addition to Gardenia's existing state-of-the-art world-class bread manufacturing complex.

Gardenia's latest plant with fully automated features has the capacity to produce nearly 150,000 loaves of sandwich bread per day.

### **Chowking completes P270-M upgrade**

**Chowking**, the Oriental fastfood chain of the **Jollibee Group of Companies**, has completed a two-year commissary modernization program worth P270M.



Jollibee Chairman and Chief Executive Officer Tony Tan Caktiong said the project, which started in 2006, involved the expansion and renovation of Chowking's noodle building, increased automation, and the improved integration of food manufacturing process in its two commissaries in Muntinlupa City.

The modernization program poised the company for continued growth. It will also allow Chowking's mother commissary in Sucat, Paranaque to support the growing demand for its popular line of dimsum products.

*"It is fortunate enough that inspite of the current economic crisis, we are able to continuously invest and modernize our facilities. It is our aim to ensure that we continuously find innovative ways to deliver high quality and very good tasting products for our customers,"* Caktiong said

Chowking has been investing in modern automated processes in its commissaries to improve product quality, safety, cut processing time, and enhance the flavors of its products.

Highly automated machines are used to prepare the food items

faster and more consistently while ensuring the highest standards of quality and food safety are met before they are brought to the stores for final cooking, Caktiong said.

### **'Green' products pull Chemrez profit up**

Brisk demand for "green" products pushed the unaudited net income of listed firm **Chemrez Technologies Inc.** by 1.6% to P359.4M in the first nine months of 2008 from P353.7M in the same period a year ago.

Chemrez revenue in the review period grew 29.5%, to P3.6B from year-ago level of P2.7B, due mainly to higher sales posted by its oleochemicals group, as well as the expanding share of its "green chemistry" products to total sales.

According to ChemrezTech, "green chemistry" products use raw materials that are renewable in nature, resulting in environment-friendly and less toxic products.

The bulk of the company's revenue came from the local market, driven mainly by strong coco-biodiesel sales.

### **Two local coffee shop chains bullish on the economy**

Two Cebu-based coffee-shop chains - **Bo's Coffee** and **Coffee Dream** - are positioning themselves for aggressive expansions, the global economic slowdown notwithstanding.

Bo's Coffee and Coffee Dream combined has 70 shops nationwide, including close to 25 outlets in Metro Manila.

Bo's Coffee has recently opened its fourth and fifth outlets inside Ayala Center Cebu, raising its total number of outlets to 35.

It is poised to open outlets in SM Megamall, Tacloban City, Cybergate and Parkmall both in Cebu City, Dumaguete, and Davao.

Coffee Dream, on the other hand, plans to open five more branches this year. It is also keeping its position of offering the cheapest coffee in town and free Wi-fi in all its over 30 outlets nationwide.

### **Globe offers SME Widget**

**Globe Business** recently introduced SME Widget, a device designed to help entrepreneurs receive and

manage business-related updates right at their desktops.

Available to Globe SME clients, the SME Widget acts as a remote device for entrepreneurs to access and manage their accounts in the Globe SME Website ([www.sme.globe.com.ph](http://www.sme.globe.com.ph)). Users are able to continuously monitor their commercial activities at the Globe SME Website.

For instance, the website's Interactive Forum allows SMEs to participate in discussions and pick up the latest business trends and tips while promoting their businesses and developing supplier-buyer eco-chains at the same time.

*"One of the main advantages of SME Widget is that it gives our SME clients information at a glance,"* said Globe Business Head of Marketing for the Corporate and SME Segments Ailene Averion.

*"It offers convenience for our entrepreneur-clients as they can get easy access to their Globe accounts via remote access through the Globe SME Website. It also comes with features that are useful and relevant for businessmen, all free,"* she added.

The SME Widget can be downloaded at the Globe SME Website. Once downloaded and installed, it will launch from the user's desktop.

### **Lopez Sugar taps Bayantrade**

Local sugar firm **Lopez Sugar** has tapped the services of **BayanTrade**, a knowledge process outsourcing service provider, to install SAP Fast-Start and Business Intelligence in their system.

SAP Fast-Start enables midsize companies to get industry-specific business processes up and running quickly and make better-informed business decisions based on greater visibility across their operations.

The fast-start program offers prospects a simplified, end-to-end process to explore, demo, evaluate, and implement solutions tailored to their business needs.

BayanTrade will implement SAP for Finance (FI), Controlling (CO), Materials Management (MM), Production Planning (PP), Sales and Distribution (SD) and Business Intelligence for Lopez Sugar. The provider will also conduct training and provide one-year application support services to the sugar company.

# BILATERAL AGREEMENT

## RP-Peru agreement signed

The Philippines and the Peruvian government has signed two memoranda of agreement (MOA) aimed at improving economic and cultural relations between the two countries.

President Gloria Macapagal-Arroyo and Peru President Alan Garcia



signed the agreements at the sidelines of last year's Asia Pacific Economic Cooperation (APEC) Leaders' Meeting in Lima, Peru.

The first agreement is on tourism, which will promote the two nation's tourist destination, while the second seeks to facilitate the resolution of possible problems that may arise, considering that both parties have no embassies in each other's sovereign territory.

Relations between the Philippines and Peru started 34 years ago. The Peruvian government closed its embassy in Manila in 2003 in line with austerity program.

Meanwhile, the Philippines opened an embassy in Peru in 1981. Likewise, due to financial constraints, the government had to close it in June 1983.

Since then, the servicing of diplomatic requirements is being handled in Chile.

economic and trade integration for all member nations.

## ASEAN to set up interactive compliance center

Ministers from the Association of Southeast Asian Nations (ASEAN) member countries agreed during the 7<sup>th</sup> ASEAN Digital Broadcasting (ADB) Meeting on 18 November 2008 to set up an Interactive Compliance Center to address technology and content issues regarding the implementation of digital broadcasting in the region.

Member States also recommended the free use of MPEG-4 Advanced Video Coding (AVC) technology for broadcasters in the region.

The ministers also agreed to set-up a study group on early warning systems (EWS) on the digital TV platform and to discuss with the European Union (EU) their plan to collaborate in digital terrestrial broadcasting deployment.

Member States aim for early digitalization to reap the benefits of the digital dividend and to ensure that terrestrial broadcasting remains relevant amid competition from mobile and Internet TV.

Recognizing that Member States are at different stages of digital TV implementation, Member States recommended that ASEAN adopt a phased approach towards Analogue Switch-off.

The ministers also underscored the value of public education and capacity building in preparation for digital roll-out as well as the significance of sharing of best practices among ASEAN countries.

# ASEAN WATCH

## ASEAN assumes legal identity

The Association of Southeast Asian Nations (ASEAN) is now a legal entity with the passing into force of a new charter that sets benchmarks for democracy.

ASEAN Secretary-General Surin Pitsuwan said that the new charter, which was ratified by ASEAN foreign ministers in Jakarta, Indonesia, accords a legal identity to the regional grouping for international negotiations and transactions.

The ASEAN Charter establishes the group as a legal entity, creating permanent representation for members at its secretariat in Jakarta and committing heads of state to meetings twice a year.

The ASEAN Charter also sets out a common set of rules for trade, investment, environment, and other fields, though largely without enforcement action.

The Charter reaffirms ASEAN's long-standing policy of non-interference in its member's

internal affairs and declares, "Decision-making in ASEAN shall be based on consultation and consensus."

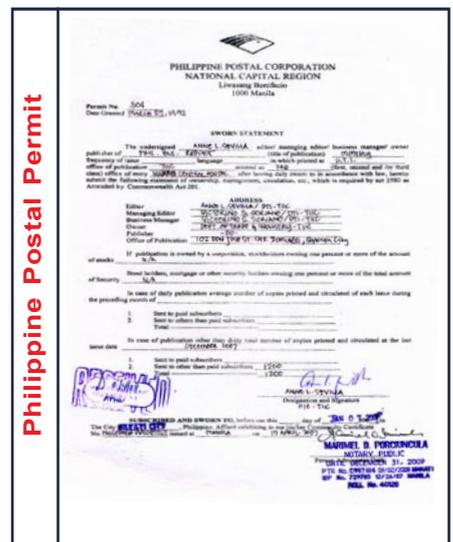
## ASEAN-Japan Comprehensive Economic Partnership Agreement takes effect

The Association of Southeast Asian Nations (ASEAN)-Japan Comprehensive Economic Partnership has entered into force, after the agreement was signed by the ASEAN member states and Japan last year.

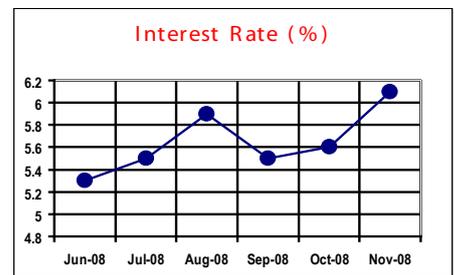
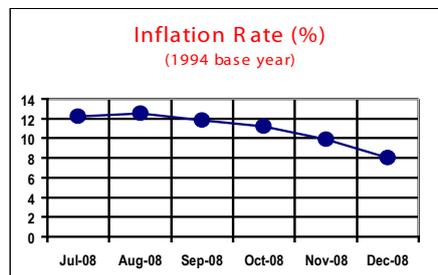
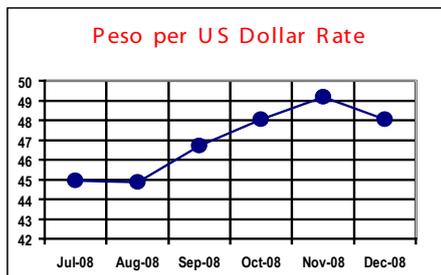
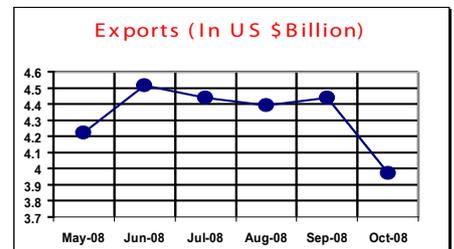
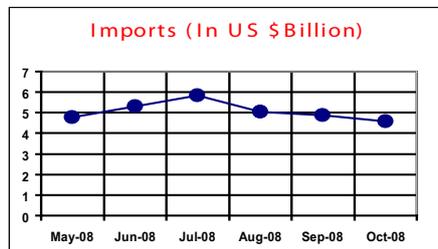
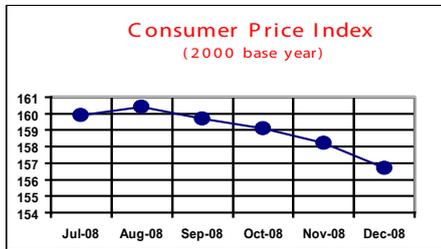
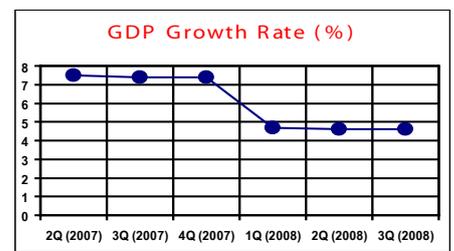
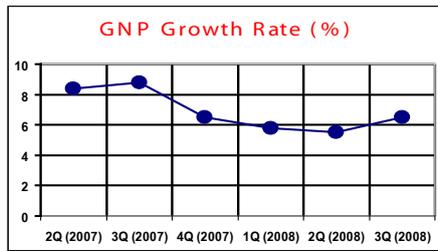
"I'm very pleased with this development as it will benefit Japanese investors who are operating in ASEAN countries and supporting ASEAN industries," ASEAN Secretary-General Surin Pitsuwan said.

He added that the partnership will enable more goods and services to reach ASEAN and Japanese consumers at lower prices through tariff reductions, thereby contributing to their standard of living and purchasing power.

The agreement already took effect on 02 December 2008 for Singapore, Laos, Myanmar, Viet Nam, and Japan. The rest of the ASEAN members are expediting their domestic procedures so as to complete the ASEAN-Japan



# Economic Indicators



Entered as Third-Class Mail at the  
Makati Central Post Office  
under Permit No. 504  
valid until 31 December 2009

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## January 2009