

Investment inflows expected to remain robust

The global economic crisis notwithstanding, the **Bangko Sentral ng Pilipinas (BSP)** is confident that the flow of foreign direct investments (FDIs) into the Philippines will remain strong.

BSP Deputy Governor C. Diwa Guinigundo said there are industries that are expected to grow resiliently this year, offsetting the slowdown in other sectors.

“FDIs will likely be just the same as last year. These need not be lowered just because of the crisis,” Guinigundo said.

The business process outsourcing (BPO) industry, including call centers and the manufacturing sector, are expected to post the highest FDI inflows this year.

Latest data from the BSP showed that the country registered \$1.7B



in net FDI inflow from January to November last year, a 16.4% growth from the first 10-month cumulative level. In November alone, FDIs climbed by 68.1% from the same period a year ago.

The BSP said that although the global economic crisis is seen to worsen this year, with the United

States and Europe expected to plunge deeper into recession, whatever direct investments had to be pulled out had already been withdrawn last year.

Philippine economic managers are also pinning their hopes on government efforts to pump-prime the economy this year and entice more investments.

2009 IPP perks up for firms keeping jobs

The government is set to use the 2009 Investment Priorities Plan (IPP) as a means to save jobs by granting incentives to enterprises that continue to operate and keep their workers amidst the global economic crisis.

Department of Trade and Industry (DTI) Undersecretary for Industry and Investments Group (IIG) and **Board of Investments (BOI)** Managing Head Elmer C. Hernandez said the BOI is doing this to mitigate fallouts from the global economic difficulties.

“In a downturn, we have to incentivize to save jobs. We have to arrest or mitigate the impact of

the financial crisis within what is prescribed under the law,” Hernandez said.

Under Executive Order (EO) 226 or the Omnibus Investments Code, economic activities listed under the IPP are entitled to a package of incentives such as income tax holiday (ITH), preferential duty on imported capital equipment, and double tax deduction on expenses for training, among others.

The BOI is bent on formulating a scheme wherein incentives can be provided to firms that continue to employ workers despite undergoing financial difficulties, thus enticing companies not to totally shutdown their operations because they

have something to look forward to when the economy improves.

The IPP core group - composed of the BOI, **National Economic and Development Authority (NEDA)**, **Department of Finance (DoF)**, and **Office the President (OP)** - has already started consultation on the IPP framework.

“If the 2009 IPP is going to be part of the government’s economic stimulus package, then it should come out as soon as possible,” Hernandez said.

Based on the BOI proposal, the 2009 IPP would be composed of two major parts: the saving of jobs and the regularization of activities on the list of priority projects for investment promotion.



INDUSTRY TRENDS

RP workers most committed

The workers of major corporations in the Philippines exhibit the highest level of commitment and focus among those surveyed across the Asia-Pacific region, a recent study by global consultancy firm **Watson Wyatt** showed.

The study, which covered top 500 Philippine enterprises and multinational firms, also indicated that the country's corporate sector is in a good position to weather the global financial crisis.

The employee engagement score for the Philippines stood at 77%, up by 4% points from the 2007 survey.

Engagement is measured as a combination of the "commitment" factor of employees' motivation toward achieving the company's goals, as well as "line of sight" or employees' focus and direction to make their organizations successful.

Watson Wyatt Philippines Associate Consultant Carlo Felicia said there was no international benchmark on the engagement score as it recognized the socioeconomic and cultural dynamics unique to each country.

Felicia however said the 77% engagement score obtained by the Philippines was "pretty good" and turned out to be the highest not only in Southeast Asia but in the Asia-Pacific region as a whole.

Employee Engagement Score	
Country	Score
Philippines	77
India	75
Thailand	72
Indonesia	71
Malaysia	67
China	66

Watson Wyatt Hong Kong Human Capital Group Head Deirde Lander said greater employee engagement is a valuable economic asset leading to higher productivity.

"So it is crucial for employers to take steps to engage their employees even when business has slowed down," Lander said.

BPO plus manufacturing seen as a key future trend

With the reeling effects of the world economic crisis, business firms are forced to reduce costs making outsourcing a viable means to achieve competitiveness.

"Business process outsourcing (BPO) will be more complex and more differentiated over time, with simple initial kind of service becoming higher value added as providers seek higher returns," **Luen Thai Group of Companies** Senior Vice- President for Supply Chain Processes and Systems and **Integrated Solutions Technology (IST)** President John Romagna said.

Luen Thai is a global leader in providing end-to-end apparel services.

Romagna advised Philippine-based companies that are traditional manufacturers and exporters to consider using BPO services.

"This can take the form of value added supply chain re-engineering across the entities in the supply chain, both upstream and downstream, in the form of customized value-added services for a particular customer supplier in the supply chain," Romagna said.

Another potential growth area, he pointed out, is the bundling of customizable supply chain services like combining source qualification, order placement, credit facility, product inspection, packing, and automatic invoicing and payment.

He said the Philippines has the core competitive advantage since it has close geographic location and travel proximity to major sources of industrial supply through Asia.

Supply chain management is one of the new session tracks that were highlighted at the recently concluded 9th e-Services Global Sourcing Conference and Exhibition.

Broadband to be next arena for telcos

Broadband Internet connectivity is fast rising as the next battleground for local telecommunication companies.

The **Philippine Long Distance Telephone Co. (PLDT)** said its total

broadband subscriber base now stands at 888,000, or 51% higher than the year-to-year figure in 2007.

On the same note, **Globe Telecom** said it is significantly growing its broadband subscriber base, which has reached more than 175,000 as of last year.

Smart Bro, the wireless broadband service of **PLDT's Smart Communications**, also showed no sign of slowing down as its wireless broadband subscriber base grew 57% as of September last year that reached more than 473,000.

Smart's prepaid Plug-It service, which was launched in March 2008, already has over 76,000 subscribers as of the third quarter of last year as it made the Internet available to a broader segment of the population with affordable sachet pricing, nationwide coverage, and easy loading.

Globe officials said that the company experienced an almost three-fold increase in broadband subscriber net ads, with strong contribution from Visibility, Globe's broadband on-the-go service.

The company's total capital expenditure for the first nine months of 2008 amounted to P13.6B, or 49% higher than the P9.1B in the previous year due to increased expenditure for its broadband rollout.

Meanwhile, **PLDT's** fixed broadband digital subscriber line (DSL) continued to grow as broadband subscribers grew by over 124,000 to reach 388,000 in the third quarter of 2008. It generated P3.9-B revenues in the first nine months of 2008, up 41% from P2.8B recorded in the same period in 2007.

3G users in RP to reach 17M by 2013

The number of third generation (3G) subscribers in the Philippines would likely reach 17M over the next few years as dongles and data cards make wireless broadband services more accessible to households, the London-based global research firm **Frost & Sullivan** said.

"We believe that dongles and data cards will help drive 3G to nearly 18% of the total wireless market by 2013," Singapore-based **Frost & Sullivan** Senior Industry Analyst Marc Einstein said about prospects in the Philippines following the release in 19 January this year of the

company's market analysis on 3G external devices in 18 Asia-Pacific countries.

He added that 3G devices made up only about 4% of the total mobile subscriber base in the country.

"However, in 2008, wireless dongles and data cards were making a difference in the Filipino broadband market, as Smart [Broadband, Inc.] alone has over 700,000 subscribers and is one of the few incumbents in the world to claim more wireless broadband subscribers than fixed broadband subscribers," Einstein said.

Of the 564M projected 3G subscribers in the Asia-Pacific region by 2013, 3% would be in the Philippines, Frost & Sullivan said.

As more 3G players enter the Philippine market and expand service coverage, Einstein said 3G external devices would be a key component of broadband development in the country. Maturing technology would also be a factor in this growth, he added.

Aside from Smart Communications Inc., which provides broadband service through its unit **Smart Broadband Inc.**, **Globe Telecom, Inc.** and **Digitel Mobile Philippines, Inc.** also offer wireless broadband service in the country.

China buyers stress need to improve RP packaging

The Department of Trade and Industry (DTI) said the country's food exports continue to register strong demand in the Chinese market despite a global consumer spending slowdown.

The DTI said Chinese consumers have shown much interest in Filipino delicacies such as crab paste and *laing*. Ready-to-consume products such as banana chips, *polvoron*, and *kalamansi* are also popular, together with tropical fruit purees, juices, and concentrates such as mango, *kalamansi*, and coconut.

However, the Department said that to attract more consumers, local producers must improve their packaging as Chinese buyers noted the strong need to greatly improve the packaging of these food products, particularly for the snack/biscuits, *kalamansi* juice, and banana chips sold in retail.

Chinese buyers, for instance, suggested the use of tetra

packaging instead of cans for *kalamansi* juice. For *laing*, they recommended handier packaging. They also noted that the labels must be in Chinese characters and conform to Chinese food and health standards.

ARMM intensifies halal industry

The Autonomous Region in Muslim Mindanao (ARMM) is intensifying its halal industry by promoting halal certification to all business establishments in the region. Members of the Regional Halal Technical Working Group will also visit factories and major business establishments to promote halal certification.



Moreover, ARMM Halal Program Coordinator Norodin A. Kuit announced recently the launching of provincial halal forum and consultation in the region this year.

Kuit said the activities aim to increase halal awareness among consumers and educate the business sector on the long-term benefits of acquiring halal certification from the **Muslim Mindanao Halal Certification Board, Inc. (MMHCBI)**.

With only two halal-certified establishments in the region namely the **Philippine Trade**, a food processing company based in Sultan Kudarat, Maguindanao, and the **Federation of United Mindanawan Bangsamoro Women Multi-Purpose Cooperative (FUMBW-MCP)**, maker of Palamanis soap products, the technical working group sees the urgency of intensifying its advocacy campaign.

Among the activities lined up for this year is the launching of a halal abattoir, dressing plant, and feed mill in Datu Odin Sinsuat, Maguindanao, and conducting halal orientation to fruit growers, poultry and livestock handlers, and aquaculture operators throughout the region.

TRADE AND INVESTMENTS

BPO

StarTek invests P460M for first RP facility

StarTek, Inc. invested \$10M for its first facility in the country, which is located in Makati City, and is targeting to employ 1,100 by end of the year to serve its new and expanding American clientele base. The facility is the company's first outside the United States and Canada.

"We expect to fill-up to full capacity by end this year and this will not be the last," StarTek President and Chief Operating Officer Jones said, noting that they are already scouting for another facility in Makati and possibly in the provinces.

Jones said its first facility in the country is serving existing clients mainly from the North American market and a dozen prospective new clients from the United States.

"Our clients are impressed with the quality and dedication of our agents here in the Philippines," he added.

StarTek provides customer care sales support, complex order processing, accounts receivable management, technical, and industry-specific services. It specializes in high-value, non-voice customer care, and provisioning services.

Citibank relocates KPO services to RP

Citibank is moving its knowledge process outsourcing (KPO) services to the Philippines, leading to further expansion in its sites in Makati and Quezon Cities.

Citibank Country Chief Financial Officer and North America O&T Head Nigel Romano said **Citi Shared Services** intends to hire another 200-500 workers starting this year to accommodate its expanding KPO services such as accounting and employee services.

Romano said the company will move its KPO services from Europe, Asia, and North America because the Philippine site proved to be a success.

"We can still grow that (KPO) by another 30%-40% this year," he said.

To accommodate the growth in the number of personnel, the firm plans to expand its facilities in Makati and Quezon Cities, which now have a total of 2,200 employees from 13 people in 1996.

"We are planning to grow some more. We have found and experienced fantastic people who are young, bright, and hardworking. What differentiates Filipino workers is that they care and want to do good job," Romano said.

The Philippines is also home to the Citigroup's three regional operations, namely: the **Citigroup Business Services**, the regional financial reports and expense consolidation and shared procurement center for over 50 countries in Asia Pacific, Europe, and the Middle East; **Citigroup Information Technology and Infrastructure Philippines**, the center for software development of the consumer business in the Asia Pacific; and **Asia Pacific Banking Institute**, the regional in-house training center for Citigroup professionals and staff.

Electronics

TI finishes \$300-M facility

Contrary to rumors its operations have been dwarfed by the global economic crisis, **Texas Instruments, Inc. (TI)**, the world's largest manufacturer of semiconductors, has started to move equipment and other facilities into its almost completed production plant in Clark, Pampanga.

"Texas Instruments has ... finished its building here at the cost of \$300M," **Clark Development Corp. (CDC)** President and Chief Executive Officer Benigno N. Ricafort said.

President Gloria Macapagal-Arroyo had described the investment as the *"biggest investment in the economic history of Clark."*

Ricafort expressed confidence that despite recession in the United States, TI would be able to employ some 3,000 workers for its plant in the freeport as announced initially.

TI's \$1-B outlay for the plant, which will be designed as the company's most environmentally efficient assembly site, will be spread over 10 years.

TI designs and manufactures analog, digital signal processing, and chip technologies that help customers develop products for the affordable mobile phones, to classroom projectors that support remote learning, to prosthetic devices.

During the groundbreaking rites for its plant here in 2007, TI Senior Vice President Kevin Ritchie said his firm had considered setting up the plant in Viet Nam, Thailand or China, but finally decided on a second Philippine plant because of the strength of its Baguio operations.

TI has been operating a 25-ha. plant in Baguio City for more than two decades now. This plant reportedly accounts for two-fifths of TI's total sales.

Samsung sets up logistics hub at DMIA

Officials of **Samsung Electronic Philippines Corp.** and **Berthaphil, Inc. Business Park** signed recently an agreement for the establishment of its central distribution center inside the Clark Civil Aviation Complex (CCAC).

Clark International Airport Corporation (CIAC) President and Chief Operating Officer Victor Jose I. Luciano said Samsung will ship-in an initial 40,000 mobile telephones to the **Diosdado Macapagal International Airport (DMIA)**, which will then be distributed to India, China, and the rest of the Asian Region.

Samsung Philippines Chief Finance Officer Beom Hee Lee said Samsung brings to its Philippine market a seamless integration of information, transportation, inventory, and warehousing, tightening its supply chain, thus, ensuring delivery of its handheld phones to the end users at the right time and place.

Samsung has been in the forefront of producing handheld phones for the last seven years in the Philippines and the rest of Asia. It is one of the leading producers of handheld phones and other electronic appliances in the world.

Energy

Chevron readies \$20M for E10 compliance

Chevron Philippines, Inc. (CPI) Policy, Government, and Public Affairs Manager Mark Quebral said

they have earmarked \$20M for its ethanol (E10) blending compliance.

E10 is bioethanol-blended gasoline that consists of 10% bioethanol and 90% gasoline. The Biofuels Law mandates all oil companies to comply with the E10 blend.

From the current 60 stations in Metro Manila, Quebral said E10 with Techron will also be made available in their key terminals and depots, particularly in Poro, La Union; Sasa, Davao City; and Lapu-lapu in Cebu City.

"More and more stations will be placed online in the coming months in a year-long campaign to offer E10 with Techron to more customers in more places all over the country," Quebral said.

He said the five large terminals, including the Pandacan and Batangas depots, will start to receive, store, and blend E10 by the first quarter of 2009.

By end of the year, more than half of the company's 840 service stations or around 450 to 500 Chevron stations will be selling the products.

Chevron is importing its ethanol from Brazil. But Quebral said they expect to source their ethanol locally once their local partner, **Basic Energy**, starts its production. He added that they have signed recently an agreement with another ethanol local supplier.

NorthWind to add five more wind-power generators

Danish firm **NorthWind Power Development Corp.** will operate five more wind power-generating sets in Bangui, Ilocos Norte.



The Energy Regulatory Commission (ERC) said NorthWind could now proceed with the Phase 2 of its wind farm project, after it issued a certificate of compliance to the company in January this year.

The ERC said Phase 1 generated around \$2.5-M savings for the

consumers of **Ilocos Norte Electric Cooperative, Inc. (INEC)** in 2006 and 2007.

Phase 2 could contribute 8.3 megawatts (MW) more to the installed capacity of the wind farm project.

ERC Chair Zenaida G. Cruz-Ducut said NorthWind's generated electricity would displace green house gas emissions such as carbon dioxide at a rate of 65,000 tons yearly.

NorthWind is an independent power producer that supplies part of Ilocos Norte's electricity requirement through INEC.

Its power plant is the first commercial scale wind turbine farm in the Philippines and Southeast Asia. It is also the first to be registered with the United Nations Framework Convention on Climate Change (UNFCCC)-Kyoto Protocol Executive Board.

Unioil to continue expansion

Unioil is set to continue its expansion plans this year, the global economic crisis notwithstanding.



"Despite the current crisis, there are business opportunities and while everybody is slowing down, Unioil will pursue its expansion plan and will build more stations this year," Unioil Petroleum Philippines, Inc. General Manager Luisito Medina-Cue Jr. said.

The company has recently upgraded the facilities of its station at Regalado Avenue in Quezon City prior to its re-opening this month under new management.

Phoenix Petroleum allots P500M for expansion

Phoenix Petroleum Philippines, Inc. is planning to invest about P500M to expand its retail network to 200 this year.

Phoenix Corporate Communications Manager Bobby Tuason said they expect to spend a maximum of P250M for each of the 91 stations, of which 80 are located in Southern Mindanao.

This year, he said, the company would be focusing on its Luzon expansion.

To date, the company has six stations in Luzon: Zambales, Cabanatuan, Nueva Ecija, Pangasinan, Laguna, and Marikina.

He said the network expansion would be supported by the commercial operation of its 100M l. Calaca-based oil depot this month.

The expansion, he said, is also in line with the recent agreement that the firm entered into with the **Philippine National Police (PNP)** last October 2008.

The memorandum of agreement (MOA) involves the annual supply of the 17 camps of PNP's fuel requirement amounting to 800M l. The company is working on the MOA to increase the coverage to up to 40 stations.

Phoenix had the groundbreaking of its flagship station in Fort Bonifacio in December 2008 in time for the expansion. This station is expected to start commercial operations by next month.

EDC invests P317M for rig improvements

Energy Development Corp. (EDC) has spent over P317M to upgrade its existing rigs and partially pay for the purchase of a new one, in a bid to become more globally competitive in the drilling industry.

EDC Chief Financial Officer Fenina Rodriguez said the cash used for these investments came from the company's P9.3-B initial public offering proceeds balance.

She said that as of September 2008, the EDC had over P1-B unused initial public offering proceeds, part of which the company spent in the fourth quarter.

Of the total P317.1M spent in the fourth quarter, Rodriguez said, P197.9M went to the 20% advance payment for the purchase of a brand new 1,500 horsepower (hp) diesel electric drilling rig.

Food

P120-M food project granted BOI incentives

The **Board of Investments (BOI)** granted Filipino-owned **SL Agritech Corp.**, a subsidiary of **Sterling Paper Group of Companies**, pioneer incentives for the P120-M expansion of the company's agricultural business to include a new project in the hybrid rice seeds production.

SL Agritech is entitled to six months income tax holiday (ITH) incentives and preferential duty on the importation of capital equipment.

The BOI noted the economic multiplier effect of the project in less developed areas in terms of providing livelihood and employment opportunities.

SL Agritech is employing a business model that integrates local farmers into its project wherein it negotiates for lease arrangements with farmers in Lupon, Davao Oriental under the Farm Management Agreements.

It also ushers in new technology from China and provides technical and financial support to farmer beneficiaries to ensure high quality and consistent yield of hybrid seeds known as SL-8H F1.

So far, the company has secured 530-ha. farmlands while 800 has. more are under negotiation for hybrid rice nursery.

SL Agritech is eyeing to produce 3.2M kg. of hybrid rice seeds on the fifth year of its operation.

To jumpstart the production of hybrid seeds, the company's existing Laguna farm will serve as the primary source of parent seeds. Succeeding seed requirements will come from a nursery to be established in Lupon, Davao Oriental.

Commercial production will start at the next planting season in April this year. The project will give livelihood to 2,800 farm workers in Davao Oriental and 374 farm technician jobs.

ATI inks deal with Prime Foods

Philippines-based tuna exporter **Alliance Tuna International Incorporated (ATI)** has signed a New Zealand Dollar (NZD) 1.3-M investment agreement with smoked salmon manufacturer **Prime Foods New Zealand**.

The ATII said its investments in Prime Foods will be in two tranches - the first is worth NZD650,000 that will be invested immediately, while the second tranche worth NZD500,000 will be made sometime within the year.

The joint venture's operation in the Philippines is expected to start before the end of the year.

The processed salmon will be exported all over the world, except New Zealand, which will continue to be served by Prime Foods.

ATII President Jonathan Dee said the acquisition of interest in Prime Foods was part of the company's diversification plans.

He said they planned to take advantage of the low price of cultured Salmon in New Zealand to put up a local processing plant.

"We will take the raw materials and process it here and import it to other markets," he said.

Prime Foods is one of New Zealand's largest retail suppliers of smoked seafood. Its flagship brand, "Prime Smoke," is a leading brand in New Zealand markets.

It also processes and packages the Signature Range house brand, which is carried by **Progressive Enterprises**, the largest chain of supermarkets in New Zealand.

On the other hand, the ATII is engaged in tuna processing and canning and export of canned tuna products in General Santos City. It exports all its canned tuna products to Europe, North America, Asia, Africa, and South America.

African steakhouse opens first RP branch

South African-based **Out of Africa BBQ Steakhouse**, which offers exotic cuisine such as wild boar, venison, ostrich, and crocodile meat dishes among others, has opened its first Philippine franchise, owned by the Dychangco family, in Nivel Hills, Cebu City.

Company Manager Mike Halgreen said they have been receiving inquiries from Filipinos who have expressed interest in obtaining a franchise after the opening of the first restaurant.

Halgreen said the local tradition of dining out as a group also reinforced Out of Africa Group's intent to work with Filipino investors in setting up 40 franchise units of Out of Africa BBQ Steakhouse concepts in various areas in the country in the next two and a half years.

The Out of Africa Group offers investors an affordable franchise license fee to manage any of the Out of Africa BBQ Steakhouse restaurant themes such as Out of Africa BBQ Steakhouse, Osteria Italian Cuisine, Fishy Wine Story, Mango Café, Thai Cuisine, Super Sports Steak Bar, and Hakuna Matata Flame-Grilled Fastfood.

The Out of Africa group is also looking at areas outside Manila, as well as in Boracay and Palawan. It is also eyeing eight to 10 franchised outlets in the Visayas.

Infrastructure

Manila Water sets P168-B expansion

Manila Water Company is investing an additional P168B for the expansion and improvement of its water distribution and wastewater treatment facilities once it gets a 10-year extension for its concession.



The firm said these service improvement projects will also create opportunities for budding entrepreneurs that will help the company implement various projects.

Nine infra projects eyed for P100-B funding

The private sector has already identified nine infrastructure projects for funding under the P100-B special private-public sector fund. These projects are set for implementation this quarter.

Philippine Chamber of Commerce and Industry (PCCI) President Edgardo B. Lacson said the projects are divided into light trails, toll roads, ports, and airports as major components.

Infra projects for P100-B special funding
■ Cavite-Laguna infra project
■ Common Bus Terminals
■ Common Terminal for Metro Rail Transit (MRT) 3-Light Rail Transit (LRT) 1 North Extension-MRT 7
■ C6 Lakeshore Expressway
■ Daang Hari – South Luzon Expressway (SLEX) Link
■ High-speed rail in Clark central business districts
■ International Airport in Aurora Province
■ LRT 1 South extension to Bacoor
■ LRT Cebu City
■ MRT 9 [Epifanio de los Santos Avenue (EDSA)-West Avenue-Morayta]
■ Metro Manila Sky Way
■ North Luzon East Expressway (NLEX)
■ Second Passenger Terminal in Diosdado Macapagal International Airport (DMIA)
■ Subic-Clark-Tarlac Expressway (SCTEX) to Aurora

He noted that the area near the Trinoma Shopping Center at the end of MRT 3 in Quezon City has been identified as the common terminal for MRT 3, LRT 1, and the proposed MRT 7.

He added that the development of an international airport in Aurora is important in making the Philippines a transshipment hub given its strategic location in the Pacific Ocean.

Government financial institutions (GFIs) such as the **Development Bank of the Philippines (DBP)**, **Land Bank of the Philippines (LBP)**, **Government Service Insurance System (GSIS)**, and **Social Security System (SSS)** committed to chip in P12.5B each to be used as a seed capital to jumpstart these projects.

P171.5-M infra fund up for Mindanao

A Certificate of Availability of Funds has been issued for the release of P171.5M for 13 rural infrastructure projects under the World Bank-funded Mindanao Rural Development Program (MRDP).

The **Department of Agriculture (DA)**, which is implementing the program, said the Certificate also includes approval for release of fund for P57.5M for 23 livelihood products.

For rural infrastructure projects, local government units (LGUs) that will be benefited include the Caraga Region - Trento, Talacogon, Esperanza, and Bunawan municipalities; Agusan del Sur; Carmen in Surigao del Sur; Kumalarang, Bayog, and V. Sagun in Zamboanga del Sur; and Siay and Alicia in Zamboanga Sibugay.

Meanwhile, road and bridge projects in Region 10 will be in Manolo Fortich and Kibawe municipalities in Bukidnon and Kapatagan in Lanao del Norte.

The MRDP also includes rehabilitation and construction of communal irrigation systems, farm-to-market roads, and potable water supply.

Mining

Rusina bullish on RP project

Australia mining firm **Rusina Mining N.L.** Chief Executive Officer Robert G. Gregory is optimistic that low-cost mining operations remain viable in the Philippines, including its Acoje nickel project in Zambales.

For one, he said, the proprietary heap leach process - a mining process where nickel is chemically extracted from crushed and mined ores - by Rusina's technology partner **European Nickel PLC** "is very cost-effective".

Another positive sign for the project is that it would not need financing until around 2010, when global economic conditions are expected to have improved.

Full production is set to start in 2012 when nickel prices are expected to have recovered.

In the meantime, Gregory said, the pre-feasibility study for Acoje was completed and "showed a positive net value even with suppressed nickel prices."

The pre-feasibility study found that the project has 34.4-M metric tons (MT) nickel ore deposit with 1.1% nickel grade and that the mine can produce 24,000-MT nickel ore daily for a decade.

"We are now proceeding with the full feasibility study. We expect it will be finished by the end of 2009," Gregory said.

European Nickel PLC will spend \$10M for the full feasibility study.

Acoje's total development cost was estimated at \$498M, including infrastructure and working capital, of which 70% will be spent in the Philippines.

Forum Energy to start drilling operations for coal project

London-listed **Forum Energy PLC** has scheduled drilling for its coalmine prospect in Southern Cebu in the first half of the year.

The coal exploration venture is covered by Coal Operating Contract 131 issued by the **Department of Energy (DOE)**.

The contract terms provide that Forum Energy may drill 12 holes covering a 2,000-m. area. The entire block spans 2,700 has.

The drilling operations will be supervised by a South African consulting firm **Independent Resource Estimations**.

Power

CEDC pushes P23-B power plant in Cebu

Cebu Energy Development Corp. (CEDC), a consortium of **Global Formosa Holdings Inc.** of Taiwan, **Global Business Power Corp.**, and **Abovant Holdings Inc.** of the Cebu-based **Aboitiz Group** is pushing through its \$500-M power plant in Toledo City in the province's western seaboard despite the global economic meltdown.



The coal-fired power plant with a combined capacity of 246 megawatt (MW) broke ground last year and is expected to be completed by early 2010.

CEDC Executive Vice-President Rodolfo Bollozos said the first steam drum of the power plant composed of three 82-MW units has been shipped to Toledo City.

The steam drum and all of the power plant's components from boilers to turbines and generators are fabricated at the Malliao complex of **Formosa Heavy Industries, Inc.** in Taiwan.

Formosa Heavy Industries, Inc. Senior Administrator Fong-in Hong said the coal-fired power plant in Toledo City will use clean coal technology with a circulating fluidized bed boiler technology.

The plant will minimize emission and waste by using an enclosed coal conveyor system, an electrostatic precipitator, which catches solid particulates. It will also have a continuous emission and opacity monitoring systems.

UK firm to invest \$200M for biomass power plant

Eyeing to use agricultural residues to generate electricity, UK-based **Global Green Power Plc. Corp. (GGPC)** will invest a total of \$200M for five biomass power projects in the Philippines.

"We will put up 17.5-megawatt (MW) biomass power plants that would cost \$40M each in five different areas in the country," GGPC Chief Executive David de Montaigne said.

He added that the plants will be constructed in areas where agricultural residues exist, like in Panay, Nueva Ecija, Pangasinan, and Samar.

He said Phase 1 would entail the construction of the biomass power plants that deliver clean base load and decentralized and cost-competitive electricity using European technology.

The firm replaces fossil fuel power-generation facilities with biomass sourced from agricultural waste residues, sustainable forestry, and energy crops.

De Montaigne pointed out that each power plant would provide over 900 direct and indirect jobs to local communities.

For Panay, the company is set to sign the electricity sales agreement with the local cooperatives for the supply of 35MW.

Once the agreement is signed, the company will start the construction of facilities, which will take around 18 to 24 months to complete.

The 25-year agreement is tagged to the consumer price index (CPI), with no foreign exchange charges and fuel pass on costs, he said.

The company is working with the Land Bank of the Philippines (LBP) and other banks to secure funding for construction.

PTT to invest P3B for expansion
PTT Public Co. Ltd. (PTT) remains bullish about its prospects in the Philippines and plans to invest P3B to put up new service stations while continuing negotiations for its possible petrochemical joint venture with JG Summit Holdings Inc.

PTT Commercial and International Marketing for Oil Business Group Executive Vice-President Artasith Pothiapinyanvisuth said they plan to put up at least 150 more gas stations costing P20M each.

"We hope to have about 200 stations in the next 8-10 years," he said, adding that these will all be in Luzon and Visayas.

PTT's local arm PTT Philippines Corporation has 34 retail stations. The local subsidiary is expected to construct at least 16 more this year to raise the total to 50 stations.

Trans-Asia to pursue wind power project

Trans-Asia Oil and Energy Development Corp., the oil and energy development arm of the Phinma Group, will come up with the results of the feasibility studies on its planned Guimaras wind power project this year.

"We will do the feasibility studies soon, which will take about six months," Trans-Asia Oil President and Chief Executive Officer Francisco Viray said.

He said the feasibility studies will allow the company to gauge the capacity of the proposed wind power project in Western Visayas.

Initially, he said they expect a possible 20-megawatt (MW) wind power project in Guimaras, which is one of 12 areas identified by the Department of Energy (DOE) that has high potential for wind energy utilization.

Based on its preliminary assessment, the wind project is estimated to cost about \$2M per MW. Thus, investments for a 20-MW plant would reach around \$40M.

"We will run it as a hybrid with our diesel power plant. Right now we're measuring wind in one of the five towns in Guimaras, specifically San Lorenzo," Viray said.

ERC OKs five power supply deals
The Energy Regulatory Commission (ERC) has approved five power supply agreements inked by project developers Korea Electric Power Corporation (KEPCO) and SPC Power Corporation with electric cooperatives (ECs), which would be off-takers or buyers of generated electricity from the 200-megawatt (MW) Naga coal-fired plant in Cebu.

The supply deals are with Cebu I Electric Cooperative, Inc. (CEBECO I); Cebu II Electric Cooperative, Inc. (CEBECO II); Negros Oriental I Electric Cooperative, Inc. (NORECO I); Negros Oriental II Electric Cooperative, Inc. (NORECO II); and VMC Rural Electric Service Cooperative, Inc. (VRESCO).

ERC documents show the project will cost \$520M.

The company earlier awarded the turnkey contract to Korean firm Doosan Heavy Industries & Construction Companies.

The power project will comprise two units with 100-MW capacity each.

Real Estate

Alliance Global to invest P20B
Holding company Alliance Global Group, Inc. will spend P20B for various projects in the office, residential, and hotel subsectors in several key locations in Metro Manila.



Alliance Global Chairman Andrew Tan said that this would be enough to support 50,000 jobs in the construction industry.

He added that there would be 14,000 new jobs available in the outsourcing sector as soon as the company finishes its five new office buildings.

P4.5-B hotel project granted ecozone status

In a bid to attract more investments, the Department of Tourism (DoT), in an agreement with the Philippine Economic Zone Authority (PEZA), granted the biggest international resort and spa in Cebu the special economic zone (ecozone) status.

Sitting on an 8-ha. property in Barangay Maribago, the Imperial Palace Water Resort and Spa is the first ever tourism ecozone to be operational in the country.

The P4.5-B condominium-hotel and resort project, which is owned by Korean-led Philippine BXT Corp. (PhilBXT), has been enjoying incentives like income tax holidays (ITH) and the duty-free importation of capital equipment.

DOT Secretary Joseph H. Durano said the new development is a proof of the continued interest of foreign businesspeople in the Philippines and a welcome addition to address the country's increasing need for more tourism accommodations.

"PhilBXT's major decision to invest here despite the global economic situation signals investors' confidence in the country's potential and affirms us of the Philippines' viable assets," he said.

Moreover, Durano noted, the new project has helped generate jobs for the communities in Cebu.

"During construction phase, it employed around 2,000. It is expected to employ another 1,100 when it opens next month," he said.

Primary Homes puts in P2.7B for five projects

Cebu-based real estate firm Primary Homes will launch five projects within the year with a combined investment of P2.7B to meet strong demand for housing in Metro Cebu.

Primary Homes Assistant Sales Manager Ramero Espina said Cebu's

tourism and business process outsourcing (BPO) industries have increased demand for various real estate products from lots, houses, and lots and condominium units.

Espina attributed the strong demand for houses to the high rental rates in Cebu.

Students from neighboring provinces who come to Cebu City to study medical courses are also purchasing condominium units or houses and lots instead of renting, he said.

For this quarter, Primary Homes will launch three projects:

■ La Guardia Flats

A 14-storey building with over 250 condominium units, which Primary Homes President Stephen Charles Liu considers as *"a testament to the synergy within the Primary Group;"*

■ Casa del Rio

A house-and-lot for the middle to lower high-end market in Talamban, Cebu City; and

■ Sunflower Place

A subdivision inspired by the success of 188 Sunflower Drive, which was sold out in a year.

This will have 24 townhouses ranging from 60sqm.-150sqm. in floor area.

P1.8-B Bacolod ecozone okayed

A 250-ha. Bacolod City Special Economic Zone with an investment of P1.8B is promoting its development as a free trade zone to attract light manufacturing operations for the export market.

The Philippine Economic Zone Authority (PEZA) has already approved the project entitling it to a package of incentives such as income tax holiday (ITH) and duty-free importation of capital equipment, among others.

Tommy de Leon, Director for Business Development of project developer **Bacolod Real Estate Development Corp.**, said the project is being developed into a mixed-use economic zone.

The project's major components include a manufacturing zone, free trade zone, information technology (IT) hub, medical tourism, and retirement zone.

UP Tech Park's P1.5-B expansion approved

The Philippine Economic Zone Authority (PEZA) has approved the P1.5-B expansion of the **University of the Philippines (UP) Science and Technology (S&T) Park** in Diliman, Quezon City for the construction of additional information technology (IT) buildings.

The government has also invested in UP some P3B in research and development (R&D) and manpower development and another P1B to build its own S&T complex.

The expansion project involves the construction of additional four IT buildings with a gross floor area of 46,520sqm. for lease to locators.

The S&T park is being developed by the Ayala-owned **UP North Property Holdings, Inc.**

Located in a 37.5-ha. property along Commonwealth Avenue, Quezon City, the UP S&T Park was cited by President Gloria Macapagal-Arroyo for giving the government's bid to become an IT hub a big boost with the establishment of more technology-based industries.

"It is one giant step to bring our country closer to goal we declared in 2001 of making technology the foundation of our economic development," Arroyo said.

R-II, Taguig City ink P1-B deal

R-II Builders Inc. and **Taguig City Government** have signed a P1-B joint venture agreement for property development projects involving 11 has. of land.

The areas identified for development are in Barangays Ususan and Bagong Tanyag in Taguig.

Under the agreement, the joint venture will build two major hubs. The first, dubbed as Skyline City, is a mixed-used 8.8-ha. development in Barangay Ususan that includes a mall and a strip of medium- and high-rise residential towers.

Given its neighboring central business districts (CBDs) and several call centers, the project will adopt a market position similar to that of the Eastwood City in Libis, Quezon City.

The other project component is the construction of medium-rise residential buildings in Barangay *Bagong Tanyag* for Taguig constituents. This component will get a P100-M initial cash outlay from R-II.

Shipping

ICTSI puts in P215M for MCT expansion

Publicly listed **International Container Terminal Services, Inc. (ICTSI)** is investing P215M to enhance the port operation of **Mindanao Container Terminal (MCT)**, which is serving the Northern Mindanao market.



The project has been given tax and fiscal incentives by the **Board of Investments (BOI)**.

The MCT was under lease by ICTSI from the **Phividec Industrial Authority (PIA)**. The port would serve the exports of Del Monte, which has a canning and packaging operation in Northern Mindanao.

In April 2008, the PIA awarded ICTSI the 25-year concession to operate and manage the MCT.

The MCT is located within the Phividec Industrial Estate at Tagaloan, Misamis Oriental.

ATI automates port gates at South Harbor

Port operator **Asian Terminals, Inc. (ATI)** is investing in more technology-driven systems at its flagship Manila South Harbor to further boost productivity, efficiencies, and service delivery at the port.

ATI signed recently an agreement with **Edward Keller Philippines, Inc.** for this automation project, which would cut processing time, improve the movement of truckers, maximize yard space, and optimize equipment utilization.

"Information technology (IT)-driven infrastructure is the way towards the future, that's why we earnestly look forward to implementing this important

investment component under the Manila South Harbor Development Plan. This project adds momentum to ATI's constant drive of providing superior customer service to our valued clients," ATI Executive Vice President Ernst Schulze said.

MAJOR PROJECTS

SMC eyes \$1-B water project
San Miguel Corporation (SMC) is diversifying further in the utilities sector as it eyes a \$1B project in the water distribution business.

The SMC said its wholly-owned unit San Miguel Bulk Water Co., Inc. (SMBWCI) submitted to the Metropolitan Waterworks and Sewerage System (MWSS) an unsolicited proposal for the joint development of the Laiban Dam project located in Tanay, Rizal.

San Miguel said the Laiban Dam project is intended to address the long-term water requirements of Metro Manila and provide stability and security to the water supply source.

SMBWCI plans to enter into a cooperative joint venture with MWSS to secure financing and undertake the engineering and design, construction, operation, and maintenance of the project.

Project plans include the construction of the dam and headworks, raw water conveyance facilities, water treatment plant, hydropower plant, treated water conveyance facilities, pumping stations, storage facilities, and off take points.

The dam reportedly has the potential to supply 1,900M l. of water a day to consumers in the metropolis, which consume an average of 500M l. a day.

The construction of the Laiban Dam is also expected to contribute to the Luzon power grid and alleviate the recurring energy crisis in the region since it would generate 153 megawatts (MW).

P10-B PTV-4 rehab, bridge projects okayed
Two projects worth P10B got the go-signal from the National

Economic and Development Authority (NEDA) Investment Coordination Committee-Cabinet Committee (ICC-CC).

The approved projects were the immediate rehabilitation of the People's Television Network, Inc. (PTV-4) and the upgrading of bridges nationwide.

Aiming to modernize the analog broadcast facilities and equipment of PTV-4 and strengthen its efficiency and effectiveness as an integral and critical part of the government's information system, the network's rehabilitation is estimated to cost P470M.

About 85% of the funding would be sourced from the Export-Import Bank with London Forfaiting Americas, Inc. as lender. The latter shall finance the remaining 15%.

On the other hand, the bridge project of the Department of Public Works and Highways (DPWH) involves the construction of permanent bridges and replacement of temporary bridges, all totaling 242 along national roads nationwide.

Of the P9.6-B bridge project about P8.3B shall be financed by the United Kingdom and about P1.3B by the Philippine government.

Matnog port to be converted into Freeport

The government is packaging an old port in Matnog, Sorsogon as a Freeport similar to the Subic Bay Freeport area where state-of-the-art factories will be encouraged to operate.



The project study is being prepared by the Build-Operate-and-Transfer (BOT) Center, a unit of the Department of Trade and Industry (DTI), to help the industrialization of the Bicol region and establish a more reliable link to Northern

Samar by expanding the existing port facility.

BOT Center Executive Director Pascual R. de Guzman said the site, which is currently used as a military port, has a huge potential as a freeport zone because it is a good alternative as a hub for commercial vessels to Tacloban.

He added the proposed study would also include specific infrastructure development that can be offered to the private sector and projects that should be handled by the local government unit (LGU).

The project is part of the BOT Center's integrated port services and other port development projects in the pipeline.

It is on top of the 16 projects that were mostly short-term infrastructure aimed at addressing water, access roads, and energy problems including the construction of slaughterhouse, transport terminal, and farm-to-market road in poor provinces.

P386-M Agusan irrigation project nears completion
The Asian Development Bank (ADB)-funded Baobo Irrigation Project in Veruela, Agusan del Sur, will irrigate some 1,600 has. of farmland in Barangays Sinubong, Sampaguita, La Fortuna, Magsaysay, and Poblacion.

As of February 15 this year, the project was 87% to 90% finished.

"This is what the farmers have been hoping here for long. The project will surely improve our lives," said Serafin Cortez, one of the farmer-beneficiaries of the government P386.9-M project.

He added that about 100 households in the upstream, considered "non-beneficiaries" of the irrigation project, will also benefit from the project.

Cortez said the farmers in the five barangays have only one "decent" harvest every year - during the rainy season, when water is abundant. But during the dry season, they are not assured of a good yield.

Farmers produce some 80 cavans per hectare during the wet season and only half of that during the dry season.

COMPANY NOTES

IPVG to expand 3D animation business

IPVG is planning to expand its 3D animation business this year, in a bid to eventually design its own content for its online gaming business.

IPVG Chief Executive Officer Enrique Y. Gonzales said the company would expand the operations of its newly acquired subsidiary **Lucid Multimedia Tech, Inc.**, a 3D animation-outsourcing firm based in Makati City.

"We want to expand that business from 40 seats to around 200 seats by the end of the year," he said.

He added that IPVG, which expected a slowdown in acquisitions this year as market conditions worsen, spent only P6.4M for a 51% share in Lucid Multimedia.

Gonzales said expanding the capacity of the 3D animation business would entail building an additional facility this year. As Lucid expands, it would eventually be tapped to design games for another IPVG unit, **IP E-Games Ventures, Inc.**, he added.

The **Business Processing Association of the Philippines (BPA/P)** estimates that non-invoice services make up around a third of the local outsourcing industry, which posted close to \$7B in revenues last year.

IPVG, which has businesses in the business process outsourcing (BPO), online gaming, and data center sector, expects to hike profits by as much as a third this year, despite the slowing economy.

7-Eleven boosts market presence

Newly opened stores located in high traffic areas helped the local operator of **7-Eleven** chain of convenience stores to register a double-digit sales growth last year, a company official said.

Lawrence de Leon, Comptroller of **Philippine Seven Corp.**, local operator of the 7-Eleven convenience store chain, said while audit on the company's full-year finances has yet to be completed, sales of 7-Eleven stores

have likely posted impressive growth despite of the prevailing global economic slowdown.



"The fourth quarter is usually a strong quarter for 7-Eleven and the last one ended meeting our expectations," de Leon said.

De Leon said the increase in the company's sales continued until the last quarter of 2008, driven by the strong performance of new 7-Eleven stores near call centers and business process outsourcing (BPO) offices in Metro Manila and nearby provinces.

He attributed the surge in sales to the company's intensified marketing and merchandizing strategies.

ASEAN WATCH

Asia's rapid recovery seen in 2010

Asia's economies could recover rapidly next year from their slump once the rest of the world claws out of recession, **International Monetary Fund (IMF)** Head Dominique Strauss-Kahn said.

"Once the world economy regains its footing, a rapid recovery is possible," Strauss-Kahn said, predicting **Association of Southeast Asian Nations (ASEAN)** economic growth of more than 5% in 2010, almost twice this year's expected pace.

Asian countries cannot begin to recover until the rest of the global economy escapes from the current *"major downturn"* because they rely heavily on exports, the IMF Chief said.

Asia is likely to post economic growth of 2.7% this year, with the

region's developing countries seen expanding 5.5%, Strauss-Kahn added.

Once the United States and European economies start to rebound, some Asian economies *"may recover very fast,"* he said.

Asia urged to rely less on exports

With the economic crisis dampening the world's appetite for Asian exports, economists are urging the region dubbed the *"factory of the world"* to rely less on foreign demand and buy more at home.

Asia's heavily export-driven economies have been hit hard by the crisis, which has led to consumers from the United States to Europe buying fewer Asian-made goods.

In export-dependent South Korea, exports fell 32.8% year-on-year in January. In Japan, the December drop was 35% while Taiwan dropped by 41.9%.

In China, for years the engine of much of the region's growth, exports fell 2.8% in December, its second consecutive drop and its largest in a decade.

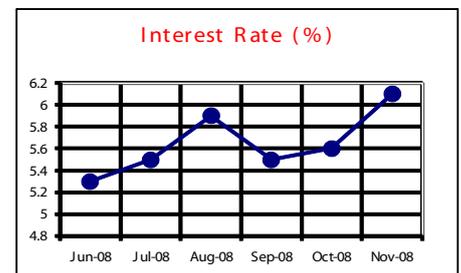
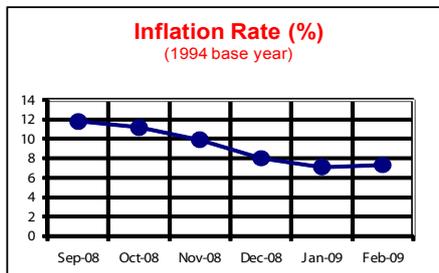
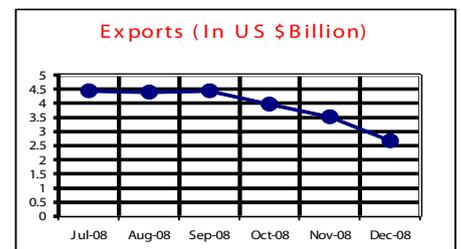
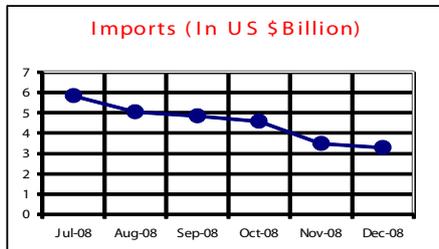
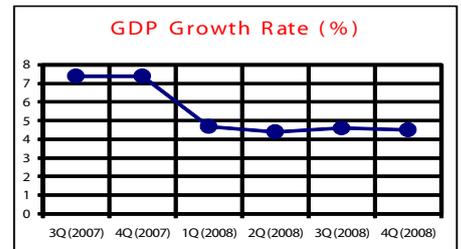
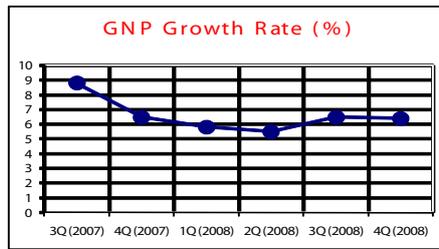
The slowdown means Asian economies have to rethink the old model of *"Asians make it, Americans buy it"* and start promoting more domestic consumption, **Asian Development Bank (ADB)** Institute Head Masahiro Kawai said.

"This pattern is rapidly changing and I believe that this change is not simply a temporary phenomenon," Kawai said.

"Asia should remain the factory of the world, but Asians have to start consuming more, and to start spending more," he pointed out.



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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Philippine Business Report

March 2009