

# The Philippines

Part one



## Reform, resilience and remittance

**Despite being assailed by both external economic crisis and natural disasters in 2009, the Philippines remained resilient, strengthened by strong fiscal policies and its own unique circumstances**

BUCKING the global trend, this year the Philippines has avoided recession and even witnessed growth in certain sectors. Banking has been credited with underpinning the economy's success,

as it remained largely free of exposure to toxic assets and relatively insular with conservative lending policies.

Foreign currency remittances from Filipino expatriates have played a crit-

ical role in keeping the economy buoyant. Filipino workers are in heavy demand in a number of sectors, most notably in maritime, medical, hospitality and construction, the world over. According to official figures, in the first nine months of 2009, some \$12.8 billion was generated by this international work force, based mostly in North America, the Gulf States, Western Europe and East Asia.

One of the great domestic success stories has been the fledgling business process outsourcing (BPO) sector. This industry has consistently attracted international investment and maintained steady growth this year. According to the Business Process Association of the Philippines (BPAP), the BPO industry employs over 500,000 Filipinos, and has continued to generate more jobs throughout 2009.

The Fort Bonifacio Global City is perhaps the most eye-catching beneficiary of this boom industry and has attracted major international corporations, which have established offices to make use of Filipino human capital in a range of services including legal work, customer relations, back office accounting, IT services and graphic design.

The Philippine stock market has per-

formed exceptionally well, returning to high levels not seen since March of 2008. In fact it remains one of the fastest-growing and best-performing exchanges in the entire region.

Traditionally in the year prior to elections, the Philippines sees a downturn in investment. However, numbers have remained strong in the lead-up to the national and local elections scheduled for May 2010. Mining, construction, manufacturing and real estate have been some of the main sectors attracting foreign direct investment (FDI), with most of the capital coming from Japan, Hong Kong, U.S. and Netherlands. According to the nation's central bank, the Bangko Sentral ng Pilipinas (BSP), January through August of 2009 saw a 31% increase of FDI, compared with the same period of 2008.

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### NATIONAL POWER CORPORATION

## National Power looks to private sector

**In its bid to improve supply to the Philippine population, National Power Corporation presents a host of investment opportunities, most notably in power generation and renewable energy**

IN the early 90s, the Philippines suffered from power shortages badly affecting both industrial production and the standard of living of the population. Additionally the cost of power generation and distribution across the archipelago of 7,107 islands has also led to some of the highest electricity rates in Asia.

National Power Corporation, as the largest generator and provider of energy, sought to address these issues by paving the way for an increased private sector presence in the industry. The Electric Power Industry Reform Act (EPIRA) of 2001 laid the groundwork for the privatization of National Power's generation assets, strengthening the sector by allowing private investment.

The Power Sector Assets and Liabilities Management Corporation (PSALM) is the organization in charge of implementing the privatization process. It works hand in hand with National Power, organizing and managing the auctioning of its assets. Considerable domestic and foreign private-sector interest has been shown due to the lucrative returns power generation offers.

Given that the roles and responsibilities of National Power will shift as its power generation assets are privatized, National Power is preparing to move in a new direction. President and CEO of National Power Mr. Froilan A. Tampinco explains, "It must be realized that National Power, because of privatization, would eventually have to get out of the main grid operations. The assets that



National Power Corporation is the principal power provider for Manila Electric

are being privatized are in fact the assets that contribute or supply electricity to the main grid. Once all of those are privatized, we will automatically cease to be a major player in the generation sector. However, we still have another mandate to follow as we fulfill our major grid responsibility. This is our responsibility towards the island and off-grid areas."

These are the smaller, more remote islands of the archipelago, which also present opportunities for private investors, especially in the field of renewable energy. New legislation presents significant incentives for the development of cleaner, greener technology. Mr. Tampinco elaborates, "As we focus on the island and off-grid operations, the passage of the New Renew-

able Energy Law is very timely for us. We can now push for the adaptation of renewable energy for these small islands and communities. This is where the private sector also comes in—as an investor who will bring in this renewable energy source. The tie-up will be between National Power (as government) and the private sector (as the one who will provide the renewable energy). However, we have to accept the fact that relying on purely renewable energy could be expensive. The trick is to come up with hybrid systems. This is a combination of renewable energy and conventional energy. NPC can provide the conventional energy or the private sector can provide both."

Looking to the future, NPC can be a service provider to those who take over the main grid plants, as well as those who venture into off-grid areas. By banking on the experience and expertise of its human capital, National Power will take on other responsibilities, such as an aggregator for the expanding electricity market. "Since we are gradually exiting from our major role as a generator in the major grid, I have to look into the possibility of developing business units within the corporation, making use of our existing human resources to provide vital services to the new stakeholders in the major grid," says Mr. Tampinco.

Even as its power assets become privatized, National Power is set to remain as a vital entity within the Philippines' energy sector.

### THE NET GROUP

## Boutique office developers fill Taguig skyline

**Significantly adding to the rise of the Philippines' fastest-growing city, The Net Group, the country's largest boutique IT office developer, plans to double its portfolio over the coming years**



THE FORT BONIFACIO GLOBAL CITY (BGC) development has become the jewel in the crown of the boom city of Taguig. Its well-thought-out design is based on city master plans from across Europe and the U.S. Taguig's close proximity to existing central business districts and residential areas of Makati as well as its elevation (20 meters above sea level) grant it a distinct geographical and strategic advantage over other cities of Metro Manila.

It is filled with office towers occupied by top multinational and local companies, boasts prestigious residential and recreational developments and serves as home to embassies and international schools, who are all drawn to BGC's excellent amenities. Recently, the most modern and

well-equipped hospital in the country was completed within its boundaries.

The Net Group, the pioneer developer in BGC, is a partnership between Mr. Jacques Dupasquier, the group's chairman, and Mr. Carlos Rufino, its president. Early on, the two visionaries realized the potential of the BGC development and created boutique office buildings catering specifically to the rigorous and demanding needs of multinational institutions. Currently, The Net Group portfolio has over 1,555,629.27 square feet of leasable space, housing 12,000 people, a figure that is expected to climb as high as 20,000 once all the offices are fully occupied. The buildings all bear the distinct The Net Group umbrella brand in their names: Net One Center, Net Square, Net Cube, Net Quad and Net Plaza. They are also strategically located within a PEZA IT Zone so tenants are eligible for tax incentives, adding to the numerous advantages that they enjoy.

Each of The Net Group Buildings boasts an architectural identity that emphasizes the integration of artistic and functional design, providing its clientele with cutting-edge facilities without compromising its aesthetic value. The buildings' architectural style, front liners' uniforms styled by top fashion designers, elevator music commissioned by a famous disc jockey, and the individuality of each

building all contribute to a unique marketing approach that has made The Net Group Buildings the preferred choice for top multinational institutions and leading local companies in BGC. The buildings also feature works of art such as the piece created by renowned artist Don Jaime Zobel de Ayala in Net One Center; the Philippines' first and only permanent rotating photography gallery in Net Square; the Net Cube lobby, designed by top fashion designer Rajo Laurel; and Net Quad's water fountain, a spectacle of interchanging ripples and lights that constantly creates new effects.

The buildings are managed by personnel trained to provide excellent hospitality services, and to uphold The Net Group's philosophy of treating its tenants as guests. As Mr. Dupasquier explains, "From the moment we sign a tenant, I go from chairman to maitre d'hôtel. I'm not the landlord, I'm the host. If they have a problem they call us directly."

The true mark of The Net Group's success is that its offices are 100% occupied and 70% of its inventory is taken by Fortune 500 companies and well-known corporations including JP Morgan Chase, Deutsche Bank, GE, Sony, Ericsson, Fujitsu, Oracle, Intel, Tetra Pak, Astra Zeneca, and Quisumbing Torres (Baker & McKenzie). Catering to the expansion of existing tenants is a key planning consideration for The Net Group, especially given the popularity of the BGC. "This can be difficult given the phenomenal growth of certain tenants," Mr. Rufino explains. "We try to provide a platform for expansion. Three of our tenants now have spaces in two buildings. They would start in one building and flow over to the next as they ramped up demand. In one case, we even had to link two buildings with an aerial bridge."

Looking ahead, The Net Group is planning to expand its presence enormously with the development of The Net Metropolis, 5th Ave. project. This was made possible after winning the bid and paying PHP2.03 billion in cash for the prime 1.2 hectare property adjacent to the so-called West Super Block that will house the new Philippine Stock Exchange and the six-star Shangri-La Hotel. This ambitious project will effectively double the existing portfolio of The Net Group, and is expected to be completed in phases, with the first phase targeted for 2011.

From left, Jacques Dupasquier and Carlos Rufino, chairman and president, respectively, of The Net Group



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**THE PHILIPPINES' #1 DEVELOPER OF BOUTIQUE IT OFFICE SPACES.**

**PEZA IT ZONE TAGUIG CITY**

**LEGEND**

- Office Buildings
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BUILDING	GFA
<b>NET PLAZA</b>	<b>580,935.78 ft<sup>2</sup></b>
<b>NET QUAD</b>	<b>408,001.72 ft<sup>2</sup></b>
<b>NET CUBE</b>	<b>210,541.33 ft<sup>2</sup></b>
<b>NET SQUARE</b>	<b>201,120.87 ft<sup>2</sup></b>
<b>NET ONE CENTER</b>	<b>155,691.57 ft<sup>2</sup></b>
<b>TOTAL TNG PORTFOLIO</b>	<b>1,555,629.27 ft<sup>2</sup></b>

**100% LEASED**

**THE NET metropolis 5<sup>th</sup> Ave.**



Nestled in the last prime location of the PEZA IT Zone, **THE NET metropolis 5<sup>th</sup> Ave.** will be an iconic landmark representing both the City's Forward Taguig vision and the symbol of TNG's new generation of Net Buildings, which will double its current real estate portfolio by more than 1.5 million square feet. The virtuoso team behind the project includes master planner, Oppenheim Architect+Design firm; Andy Locsin and Anna Sy, both graduates of Harvard University with a Masters of Architecture; Australian retail consultant, BN Group Pty Ltd.; and international engineering planning and management consultancy firm, Meinhardt, under the supervision of Project Manager, JCLJ.

**NETLIMA** the first building of the Net Metropolis, will have a leasable area of more than 462,000 square feet, and an average floor plate above 30,000 square feet. For inquiries email [marketing@thenetgroup.ph](mailto:marketing@thenetgroup.ph) or call +632 856 9999

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## Rising to Every Challenge.

At the National Power Corporation, we know how to adapt to the changing times and how to make a positive difference in our nation's march to progress. As one of the Philippines' largest corporations, we work around the clock to bring light where it is needed, especially to the farthest corners of the country in a sustainable way, thus ensuring resources to power future generations.

## Upholding Excellence

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