

## Industry Updates

For the period March 16 - March 31, 2008

### KPMG Philippines weekly Infrastructure, Government & Health Care news summary

*This publication is a summary of publicly reported information, the accuracy of which has not been verified by KPMG.*

#### Infrastructure, Government & Health Care



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#### REAL ESTATE

##### BCDA to bid out lots in Fort Bonifacio

The Bases Conversion and Development Authority announced it was bidding out prime lots in the Bonifacio Global City with a land area totaling 9.58 hectares, including its most valuable property from which the agency expects revenues of P1.92 billion. BCDA vice president Aileen Zosa said that the submission of offers for the third bidding for the 1.2-hectare Expanded Big Delta or E-Square block was set on April 9. Formerly designated as the site for the Government Center for Investments, the block is considered the best among BCDA's real estate assets in the former military land.

According to BCDA officials, the second bidding held last year failed because only one of 10 pre-qualified bidders submitted a proposal and that it did not even include all of the required documents. Zosa said six proponents attended the pre-bidding conference last March 11, including Ascendas (Philippines) Corp., The Net Group, Imagine Realty Corp., JTKC Land Inc., Ayala Land Inc., and Hart & Haring Bauträger GmbH, an Austrian group developing "The Waltz" in Bonifacio Global City.

The minimum bid price for this property remains at P160,000 per square meter or a total of P1.92 billion. The bidding rules provided for a straight sale mode of disposition, either cash payment upon contract signing or P600 million down payment and the balance within three months.

The BCDA is also preparing the bidding process for the so-called North Bonifacio lots, which cover a total of 8.38 hectares where a gross floor area of 516,249 square meters is allowed.

Source: *Philippine Daily Inquirer*. Reported by Ronnel Domingo. March 16, 2008.

#### BUILDING CONSTRUCTION

##### GMA to spend summer launching infra projects

President Arroyo said she will be busy spending the summer inaugurating infrastructure projects all over the country that would enable the faster delivery of basic services to the people and attract more investments. She said the government is now able to undertake major construction projects due to its favorable fiscal position owing to tax reforms three years ago.

Budget Secretary Rolando Andaya Jr. said the government has allocated an additional P200 billion in this year's P1.227 trillion national budget for infrastructure projects. He said government is taking advantage of the good weather during the summer, adding that some of the projects are meant to protect communities and agricultural areas from typhoons.

Presidential Management Staff chief Cerge Remonde, who also chairs the Palace's Infrastructure Pro-Performance Steering Committee, earlier said the government was expected to complete the construction, rehabilitation and expansion this year of priority infrastructure projects worth over P61 billion.

*Source: Philippine Star . Reported by Paolo Romero . March 28, 2008.*

### **Government to review 10 priority infra projects**

#### **THE LIST OF TEN PROJECTS IS ON THE AGENDA OF INFRASTRUCTURE COMMITTEE MEETING NEXT WEEK**

The national government will soon be releasing an updated list of its 10 priority infrastructure projects which will be offered by the government to be funded under build-operate-transfer (BOT) schemes, public-private partnership (PPP) or official development assistance (ODA), according to the National Economic and Development Authority (Neda).

Neda Acting Director General Augusto Santos said the list is on the agenda of the upcoming meeting of the Infrastructure Committee (InfraCom) next week. Also included in next week's meeting is the guidelines for joint-venture (JV) projects between the government and the private sector. Santos said an updated list is necessary since the previous list was not specific enough. He said investors who listened in on the last road show undertaken by the economic managers to attract local and international investors to invest in the country asked for specific projects. However, Santos said no specific project has yet made it to the list as this still needs to be discussed at the InfraCom meeting.

Meanwhile, Santos said the approval of the guidelines for JV projects will enhance the government's ability to undertake PPPs. The JVs the government may enter into may be 50-50 ventures where the private sector and the government will put in the same amount of equity. However, this equity mix will be decided on by both parties and will not necessarily be fixed on a 50-50 basis.

The InfraCom is an interagency committee under the Neda composed of the director-general of the Neda Secretariat as chairman; Secretary of Public Works and Highways as cochairman; and the Executive Secretary and Secretaries of Transportation and Communications, Finance and Budget and Management as members.

*Source: Business Mirror . Reported by Cai U. Ordinario . May 18, 2008.*

## **TRANSPORTATION**

### **BSP okays \$420-M loans for North Luzon Railways**

The Bangko Sentral ng Pilipinas (BSP) has approved \$420-million worth of foreign loans, including the \$90-million borrowing for phase one of the North Luzon Railways from Barclays UK. The BSP approved the two loans over the weekend, mainly the \$329.9-million loan from the Asian Development Bank (ADB) for local government financing and budget reforms. BSP Deputy Governor Diwa Guinigundo said that the ADB loan was a 15-year loan with a three-year grace period to be used as budget support for local government. The objective of the program was to help local government plan and develop their budget for effective use of public funds at the local level.

Guinigundo said the Monetary Board also approved the final terms of the Barclays loan for the Northrail project covering sections one and two of the first phase of the development. The Barclays loan had a 10-year maturity and would be used to partly finance the sections of the railway system that would extend from Calocan to Malolos in Bulacan and on to Diosdado Macapagal Airport in the former Clark Air Base in Pampanga.

The Northrail project is one of the centerpiece projects of the Arroyo administration intended as a mass transport system connecting Metro Manila to Central and Northern Luzon. Originally scheduled for completion in 2010, the project has been mired in controversies including the sheer logistic of relocating an estimated 40,000 families

that have illegally settled near the rail tracks. The overall cost of the project did not include the cost of relocating these families.

Source: *Philippine Star* . Reported by Des Ferriols . March 17, 2008.

### **Subic firm ready with 2 drydocks**

A Philippine-registered company providing ship repair and new building services in the Subic freeport is now ready to take on more customers as it announced full operations of its two drydocks. Catalino Bondoc, president of Subic Drydock Corp. (SubicDock), said the firm has recently acquired the AFDL-21, which has a lifting capacity of 1,000 tons, to complement the bigger AFDM-5, which can lift vessels up to 18,000 tons.

SubicDock, which is a wholly-owned subsidiary of Cabras Marine Corp., brought the AFDM-5 in Subic last year to cater to a growing clientele in the ship repair industry. The AFDM-5, which is a trough-type dock of welded structural steel with pontoons on its center and two end sections and two fixed rectangular sidewalls, can take in vessels up to 96 feet in width. Both the drydocks are now berthed at the approach pier of Bravo Wharf in the Subic Freeport.

Subic Bay Metropolitan Authority (SBMA) Chairman Feliciano Salonga said SubicDock's ship repair facilities would "surely boost Subic's bid to become a major international maritime center."

Source: *Philippine Star* . Reported by Bebot Sison Jr. March 23, 2008.

### **Clark gets \$1.25-B investments**

The international airport in this free port and special economic zone, a former US airbase, has secured at least \$1.25 billion in new foreign investment to expand capacity. Clark airport, currently catering mostly to budget airlines such as Tiger Airways, Air Asia of Malaysia, and Asian Spirit and Cebu Pacific of the Philippines, wants to position itself as an aviation service and logistics hub in Southeast Asia.

Victor Jose Luciano, president of the state agency Clark International Airport Corporation (CIAC) said CIAC will sign an agreement next week with SIA Engineering Company, a unit of Singapore Airlines, for an investment of up to \$250 million in an aircraft maintenance facility in Clark.

Investments started to come to Clark as more airlines began operations at its international airport. The increase in flights generated more interest in Clark. Annual international passenger flights out of Clark rose to 2,065 in 2006 from just 44 in 2003. The number of flights slipped last year to 1,975 after several airlines shifted to using wide-bodied from narrow-bodied aircraft. Mr. Luciano expects the airport's passenger capacity to rise to 2 million annually this year from 1 million now after a P160-million upgrade is completed this month.

CIAC plans another upgrade worth \$250 million, involving the construction of a new international terminal. Singapore's Changi airport and Kuwait's Al-kharafi group have expressed interest to build the new terminal in Clark. The opening of the new terminal in Clark by 2009 or 2010 would expand the airport's passenger capacity to 7-8 million annually. Manila's main international airport currently has an annual capacity of 17-18 million passengers.

Source: *BusinessWorld* . Reported by Reuters . March 27, 2008.

## **FUNDING AGENCIES**

### **Int'l aid for infra investors sought**

Foreign lending institutions, including the World Bank and the Asian Development Bank, will be asked to provide assistance to private sector companies that may want to invest in infrastructure projects of the national government. According to Finance Secretary Margarito Teves, the government wants private sector to be more involved in public infrastructure projects.

Economic managers earlier said the government wants private sector to be involved in more build-operate-transfer projects and other public infrastructure. This way, the government may get to focus on vital projects while it addresses budgetary constraints. Teves said private sector firms would be encouraged to invest in public projects if they could secure the loans.

Foreign funding agencies may help government undertake vital projects if they choose to lend to the private sector. Teves said foreign funding agencies may also help in the form of providing guarantees to loans secured by private firms investing in government projects.

The government earlier identified some projects that the private sector may invest in: the Panguil Bay Bridge, the LRT Line 1 North Extension Project, the Tarlac-La Union Toll Expressway Phase I, the MWSS Bulk Water Supply Project, the Wawa River Project, the operations and maintenance of the Subic-Clark-Tarlac Expressway Project, and the privatization of the Ambuklao-Binga Hydroelectric Power Plants.

*Source: Philippine Daily Inquirer . Reported by Michelle . March 23, 2008.*

### **ASEAN, South Korea OK 3 RP projects for funding support**

The ASEAN-Republic of Korea Joint Planning and Review Committee (JPRC) has approved and funded projects proposed by the Philippines at the 10th ASEAN-ROK meeting recently in Kota Kinabalu, Malaysia. The Department of Foreign Affairs said the projects, aimed at improving capacity-building in core areas and various levels of implementation, are the ASEAN-ROK Cooperation on Industrial Use of Marine Biological Resources; Assessment of the State of the Art of Marine Bio-Technology in the ASEAN Region; the Planning Workshop to Develop an ASEAN Consortium of Schools of Social Work and Practices; and the ASEAN Independent Cinema Project.

South Korea funds projects under the ASEAN-ROK development cooperation which has expanded to cover trade, investment, transport, tourism, agriculture, science and technology, ICT, environment, health, human resource development, culture, and people-to-people exchange.

*Source: Philippine Star . Reported by Pia Lee-Brago . March 26, 2008.*

### **Feedback**

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