Lockheed Martin projects P50-billion impact, 2,000 jobs from PHL package

By Beatriz Marie D. Cruz
Reporter

LOCKHEED MARTIN CORP., an American manufacturer of defense and aerospace equipment, said it expects to generate P50 billion in economic value from its investments in the Philippines, which include the establishment of repair facilities and knowledge transfer to support the country's defense industry and workforce development.

"In support of the Self Reliance Defense Posture initiative, we have developed a package that covers a wide range of economic and defense initiatives... One that we believe creates at least 2,000 jobs for the Philippine economy along with nearly P50 billion of value in terms of economic impact," Jess Koloini, director of business development at Lockheed Martin's Integrated Fighter Group, told *BusinessWorld* last week.

This covers Lockheed Martin's direct investments such as a repair and maintenance facility for the F-16 fighter jet and the C-130 cargo plane, and the establishment of an Innovation Center that would support the Philippines' military capacity and create more jobs for the local workforce.

Ms. Koloini added that the projected P50-billion value generated for the Philippines covers Lockheed Martin's partnership with Southern Methodist University (SMU) in Texas, which will provide technology and knowledge transfer to Philippine universities, focusing on digital innovation, intellectual property creation, and workforce development.

SOUTHERN METHODIST UNIVERSITY

LOCKHEED MARTIN is partnering with Southern Methodist University to support digital innovation, intellectual property creation, and workforce development in the Philippines.

"They (SMU) also have a very robust research and development presence in Dallas," Ms. Koloini said. "They've got top-tier academics and professors that we would expect to engage in the Philippines and likewise bring students to America to further broaden technical research and development across the academic and defense sectors."

Through the partnership, Philippine universities would gain access to SMU's state-of-the-art innovation tools and equipment. Other benefits include funding for business incubation, government initiatives, and academic programs, as well as the establishment of a world-class research laboratory and training space.

Local stakeholders will also receive training and development under SMU's Center for Digital and Human-Augmented Manufacturing (CDHAM) and Deason Innovation Gym (DIG). This would help the country strengthen its defense-related capabilities in digital modeling, simulations, virtual and augmented reality, robotics, automation, and artificial intelligence, Ms. Koloini said.

The company has been working with educational institutions such as De La Salle University, Ateneo de Manila University, University of the Philippines, Philippine State College of Aeronautics, and World City Colleges, among others.

Ms. Koloini said the entire partnership aligns with Republic Act 12024 or the Self-Reliant Defense Posture Revitalization Act, the Philippine law that seeks to enhance the country's defense capabilities through local resources and innovation.

"These industrial development programs are meant to run alongside and bolster a [decades] long relationship that we expect to have through the F-16 program," Ms. Koloini said.

The Philippines is under pressure to ramp up its defense modernization initiatives and strengthen ties with other countries amid escalating tensions with China.

Last month, the company announced the delivery of five new Black Hawk helicopters to the Philippine Air Force.

It is also waiting for the US government's formal offer on the sale of Lockheed Martin's 20 F-16 fighter jets to the Philippines, which has a total value of $5.58 billion.

AirAsia Philippines expands Cebu operations with new services

AIRASIA PHILIPPINES is set to operate five new services from Cebu to further expand its hub and capture demand during the peak holiday season, the low-cost carrier said.

Starting Nov. 15, AirAsia Philippines will operate flights from Cebu to Iloilo, Caticlan, and Davao, while also offering services between Cebu and Kuala Lumpur and Macau.

"We recognize the value of this very important route, connecting via Cebu to key domestic and international leisure markets. We look forward to further broadening opportunities in the tourism sector, helping generate jobs and ultimately contributing to inclusive economic growth," AirAsia Philippines President and Chief Executive Officer Suresh Bangah said in a media release on Sunday.

The reopening of the Cebu hub is part of its preparations for the expected holiday season demand, AirAsia said, noting that customers may book flights on these new routes as early as Sept. 3.

For this year, AirAsia Philippines is aiming to reach its target of more than seven million passengers by the end of the year, after carrying over three million passengers in the first half.

From January to June, the low-cost carrier recorded more than three million passengers.

AirAsia Philippines said its strongest domestic routes are Cebu, Caticlan, and Cagayan, while its highest-volume international routes are Japan, Korea, and Taipei. — **Ashley Erika O. Jose**

PHL businesses need structured data, clear governance policies to adopt AI — Hitachi Vantara

PHILIPPINE enterprises need to reduce unnecessary data and strengthen their artificial intelligence (AI) governance policies to generate significant value from their AI-related investments, according to data management and storage firm Hitachi Vantara.

"Companies in Asia are already hiring AI-relevant talent at higher-than-global rates and engaging external experts to accelerate outcomes. For Philippine enterprises, focusing on these fundamentals such as clean data, clear governance, and the right partners — shortens time to value," Octavian Tanase, chief product officer at Hitachi Vantara, said in an e-mail.

However, most companies in the region still struggle with scattered data, making it harder to utilize AI at scale, Mr. Tanase said.

In Asia, only 30% of enterprise data is structured, with models delivering accurate outputs only 32% of the time, according to Hitachi Vantara's latest State of Data Infrastructure Survey.

Philippine companies must invest in data preparation to reduce ROT (redundant, obsolete, trivial) data and close the digital skills gap through targeted hiring and trusted partners.

Mr. Tanase also cited the importance of reskilling and upskilling to ensure that employees apply the best use cases of AI.

"Enterprises that combine better data practices with proactive workforce development will be better positioned to adopt AI responsibly and at scale," he said.

A report by Boston Consulting Group showed that AI and generative AI are expected to contribute around $120 billion to the gross domestic product of six ASEAN (Association of Southeast Asian Nations) countries by 2027, namely Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

"The enterprises that succeed in structuring and governing their data will be the ones to capture the lion's share of this value, because organized data directly translates into more accurate, revenue-generating AI models," Mr. Tanase said.

The growing adoption of AI is also driving the expansion of Southeast Asia's data center market. ASEAN is projected to triple its data center capacity by 2027, with an expected addition of 2,100 megawatts in the next few years.

"The rise in regional data center investment is encouraging but readiness isn't just about numbers. The best outcomes come from data centers that emphasize interoperability, governability, sustainability, and performance," Mr. Tanase said. — **Beatriz Marie D. Cruz**

ERC approves Meralco, First Gen power supply deal extension until 2026

THE ENERGY Regulatory Commission (ERC) has approved the request of Manila Electric Co. (Meralco) and a unit of First Gen Corp. to continue procuring power supply from a 1,000-megawatt (MW) gas-fired power plant in Batangas until Jan. 31, 2026.

In an order dated Aug. 27, the ERC authorized the implementation of the interim extension of the power purchase agreement (PPA) between Meralco and First Gas Power Corp. (FGPC) for the dispatch from the latter's Sta. Rita power plant.

The application was approved a day before the expiration of the PPA.

First Gen owns and operates four gas-fired power plants with a combined capacity of 2,017 MW located in Batangas. FGPC, a subsidiary of First Gas Holdings Corp., supplies electricity from the Sta. Rita plant to Meralco under a 25-year PPA.

The companies earlier filed a motion with the ERC to extend the PPA, as FGPC said it would likely be constrained to shut down the power plant due to loss of offtake.

Should the shutdown happen, they said this may further limit the availability of generation capacity and result in yellow/red alerts to the grid that will "inevitably impact Meralco's customers."

In its simulation, Meralco forecast that the interim extension of the PPA would result in an increase in blended generation costs of between P0.4117 per kilowatt-hour (kWh) and P0.5093 per kWh in the next three months.

The ERC also directed the Independent Electricity Market Operator of the Philippines (IEMOP), the operator of the Wholesale Electricity Spot Market (WESM), to simulate potential rate increases that would occur in the WESM if the Sta. Rita power plant, along with other natural gas plants, were to operate as merchant plants.

Based on IEMOP's simulations, spot market prices could increase to as high as P6.23 per kWh with the Sta. Rita power plant operating as a merchant plant compared to operating with a PPA.

In its explanation, the ERC said that although the motion would affect Meralco's generation charge, there are still "other equally compelling and urgent reasons that justify the proposed extension."

"The rate consequences would be significantly more severe than the estimated increase in the generation charges calculated by Meralco for the affected months," the ERC said.

In approving the extension, the ERC ordered that the dispatch of FGPC's Sta. Rita plant should be at its minimum level only.

"Nevertheless, the Commission remains cognizant of the difficulties imposed on Meralco's consumers in the pursuit of energy security for the entire power system," the ERC said.

In exercising its rate-making authority, the regulator said it is compelled to approve a pass-through rate for the Sta. Rita plant's supply to Meralco under the interim extension.

The rates are equivalent to the previously approved rates but based on an 83% plant capacity factor.

The ERC said that Meralco must manage its electricity purchases in a manner that ensures the least-cost supply to its captive market.

Meralco's controlling stakeholder, Beacon Electric Asset Holdings, Inc., is partly owned by PLDT Inc.

Hastings Holdings, Inc., a unit of PLDT Beneficial Trust Fund subsidiary MediaQuest Holdings, Inc., has an interest in *BusinessWorld* through the Philippine Star Group, which it controls. — **Sheldeen Joy Talavera**

NG gross borrowings fall to P166 billion in July

By Aubrey Rose A. Inosante *Reporter*

THE NATIONAL GOVERNMENT'S (NG) gross borrowings slipped by 12% in July as the decline in domestic issuances were partly offset by a sharp rise in foreign borrowings, the Bureau of the Treasury (BTr) reported.

Data from the BTr showed that total gross borrowings fell by 11.96% to P166.11 billion in July from P188.67 billion in the same month a year ago.

Month on month, gross borrowings declined by 37.08% from P263.99 billion in June.

Gross domestic borrowings went down by 15.54% to P152.54 billion in July from P180.6 billion in the same month last year. This accounted for 91.83% of the total gross borrowings in July.

Broken down, domestic borrowings included P125 billion in fixed-rate Treasury bonds and P27.54 billion in Treasury bills.

On the other hand, gross external borrowings surged by 68.26% to P13.57 billion in July from P8.06 billion in the previous year. This consisted of project loans.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said the total gross borrowings in July was due to a narrowing budget deficit, which reduced the need for additional borrowings.

Data from the BTr showed that the budget gap shrank by 34.42% to P18.9 billion in July. For the seven-month period, the budget deficit widened to P784.4 billion.

"(This) may reflect a combination of front-loaded issuances in earlier months, the election-related spending pause, and a deliberate pacing to manage debt servicing costs amid high interest rates," John Paolo R. Rivera, a senior research fellow at the Philippine Institute for Development Studies, said in a Viber message.

END-JULY BORROWING

Meanwhile, NG's gross borrowings dipped by 0.09% to P1.758 trillion in the January-to-July period from P1.759 trillion a year ago.

Domestic debt accounted for the bulk or 76.34% of total gross borrowings in the first seven months.

Gross domestic debt slid by 9.57% to P1.34 trillion as of end-July from P1.48 trillion in the same period last year.

This was composed of P881.84 billion in fixed-rate Treasury bonds, P300 billion in fixed-rate Treasury notes and P159.85 billion in Treasury bills.

As of end-July, gross external debt stood at P415.92 billion, up 50.98% from P275.48 billion a year ago.

These consisted of P191.97 billion in global bonds, P171.31 billion in program loans and P52.65 billion in project loans.

Analysts expect higher government borrowings in the second half amid ramped up spending and maturing government securities.

"We can still expect higher borrowings in the latter part of the year, especially as NG ramps up spending to hit growth targets and if revenue collections fall short," Mr. Rivera said.

In the following months, Mr. Ricafort said the NG borrowings would likely increase to reflect the retail Treasury Bond (RTB) issuance in August.

The BTr earlier announced that the government sold P507.16 billion worth RTBs, exceeding the P30-billion target. The public offer period ran from Aug. 5 to 15, while settlement is on Aug. 20.

Mr. Ricafort said the government is also scheduled to settle the P288.66-billion Treasury maturity on Sept. 9.

This year's financing program is set at P2.6 trillion, of which P2.11 trillion will be from local lenders and P488.17 billion from foreign sources.

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from S1/2

In its Capital Market Review of the Philippines last year, the Organisation for Economic Co-operation and Development (OECD) said many Philippine state-owned enterprises (SOEs) are candidates for public listing, such as Land Bank of the Philippines and Development Bank of the Philippines.

The OECD also said the Philippines could grow its capital markets by listing minority stakes in financially significant SOEs.

SOEs occupy a significant share of market capitalization in other ASEAN countries such as Singapore, Indonesia, Malaysia, and Vietnam.

"SEC is working to future-proof the Philippine capital market. We are also working on listing for grantees of legislative franchises and exploring the listing of commercially viable state-owned enterprises, which will bring new scale and diversity into our market," Mr. Lim said.

Further, stock market analysts said the success of GOCC listings will require a broad investor base and adequate market infrastructure, while also depending on timing and business fundamentals.

"The key challenges are readiness and timing. The focus should be on GOCCs with strong business fundamentals and prospects. Apart from the usual listing requirements, a GOCC should be considered IPO-ready if it has high-quality corporate governance structures, independent private auditors, a commitment to delivering shareholder value, and robust protections for minority investors," Mr. Colet said, noting that if all these elements fell into place and market conditions are conducive, GOCC IPOs could be doable as soon as next year.

"We note, however, that successful GOCC listings require a broad investor base, solid market infrastructure, and a stable macroeconomic backdrop," Mr. Garnace said.