

# *CATALYST*

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*THE STORY of the  
NATIONAL DEVELOPMENT COMPANY*



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## Message

### Telling our story

"CATALYST" is a word that is often used to describe our organization, the National Development Company (NDC), and it is a label that we sometimes take for granted—until we see it on the cover of a book that commemorates our 90th year of existence. It's a remarkable milestone that allows us to pause and look back on the role that we have conscientiously played through our long and illustrious history, as an initiator, pioneer, ally to industry—and yes, as the catalyst that sparks processes and brings together the forces essential to economic growth.

Since taking on the job as NDC's Officer in Charge in 2006 and Acting General Manager in 2007, my task has been to ensure that the company continues to serve as a premiere investment company, and to work with both government and private corporations in helping initiate, fund, and develop projects, while remaining a viable and relevant agency with the highest standards of professional management. Our performance, in terms of efficiency and good governance, speaks of our success in doing our history and forebears proud.

It is with great pleasure then that we present this book, *CATALYST: THE STORY OF THE NATIONAL DEVELOPMENT COMPANY*, a first concrete and comprehensive record of NDC's journey, produced under our management and through the efforts of the project team. It is about time the rich history and contributions of the company to the country's economic development were recorded for posterity as well as for the information of future generations.

This is also our way of pledging, in a creative way, that this history will continue. NDC is here to stay as a catalyst of industry, dedicated to tirelessly meeting the country's evolving development needs—and, as always, to helping create a better future for every Filipino.

Thank you for being part of our story.

A handwritten signature in dark ink, appearing to read 'M. Rebueno'.

MA. LOURDES F. REBUENO

Acting General Manager

National Development Company





## Foreword

### A story of service

NINETY years is a long time for any organization, whether government or private, to be in existence. And when one considers that this particular organization's role is to break ground for government and private investment, and to help other corporations come into being, grow, and thrive, then the value of almost half a century of existence is multiplied several times over.

*CATALYST: THE STORY OF THE NATIONAL DEVELOPMENT COMPANY* recounts the evolution of such a company. It presents the company's beginnings as an agency tasked with supporting a young republic, on the brink of independence from its American colonizers, in establishing its economic independence by jumpstarting important industries. The mission of economic development was clear from the beginning, and has remained essentially unchanged over the years: "to promote and maintain a general production by an efficient coordination of the productive forces of the country...and to secure a stable market for Philippine products."

The book proceeds to recount the difficult task of keeping this economy alive amidst the damage done by the Second World War, and the succeeding years of profit and occasional loss in pioneering forays where private investors feared to tread, such as in the early days of shipping, aviation, and agriculture. It takes the reader through the heavy industrialization and capitalization of small and medium

enterprises in the '60s and '70s, to stepped-up privatization in the '80s and '90s under the operational mandate of "invest, operate, divest." It records the company's evolution under several administrations, with slight adjustments in direction and priority, but always remaining true to its mandate.

Finally, the book looks at the company today, and the supporting role it plays in the government's Medium Term Development Plan for 2004-2010. By focusing on critical areas such as infrastructure, shipping and the linkage of the Strong Republic National Highway, and agriculture, while performing commendably in terms of professional management and revenue generation, NDC has proven that it is ready and able to handle the challenges of an increasingly global economy. After 90 years, as the book concludes, it remains "business as usual" for the National Development Company—business that can only benefit Filipino industry and secure for it a solid future.

This volume informs, enlightens and inspires. It certainly merits a special place on the shelf or bedside of every reader who has a profound interest in our country's history and development.

PETER B. FAVILA

Secretary

Department of Trade and Industry





Prologue

# PURPOSE BEYOND ITSELF



This is the story of a company unlike any other, a company created for a noble purpose—and whose achievements have had a strong and indelible impact on the destiny and development of a nation, and on a world so much bigger than itself.

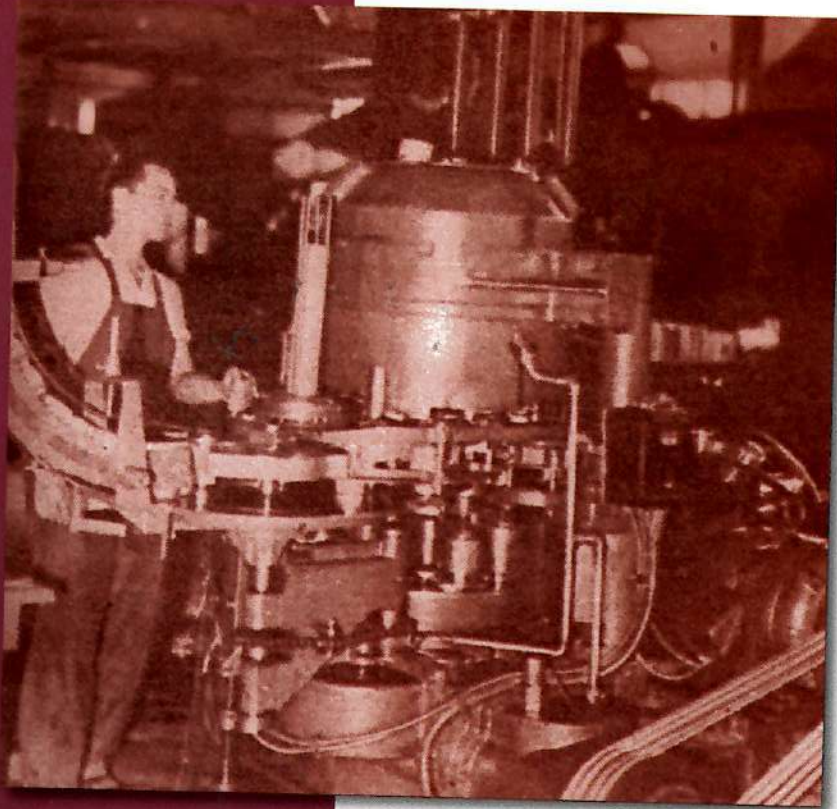
The National Development Company (NDC) has, then and now, been described as a “catalyst,” defined as a person or thing that precipitates an event. In that regard, the description is accurate; in its 90-year history, NDC has made possible the establishment, growth, and eventual privatization of many of the biggest industries in the country. It was instrumental in the birth and growth of the shipping and aviation industries in the Philippines; it made possible the manufacture of the first light bulbs in the country. NDC opened the nation’s first cement firm, practically establishing the industry, and organized the first textile firm, the first sugar refinery, and the first space communications company. It led the way in low-cost housing, established agricultural plantations, built warehouses, set up lumber and paper mills, and conducted groundbreaking surveys of oil, iron ore, guano, marble, coal, and other minerals. In the ‘50s and ‘60s, it ventured into new industries to pave the way for private enterprise. In the ‘70s and ‘80s, it harnessed considerable capital and influence to grow big industries and establish regional endeavors, while funneling investments into the work of small- and medium-sized entrepreneurs. Three Philippine presidents have served on the NDC board: Sergio Osmeña, Elpidio Quirino, and Manuel Roxas.

Today, as a premier investment company, it is mandated to prioritize infrastructure, support agriculture and agrarian reform, and break ground in the exploration of environmentally-sound alternative sources of energy.

From a scientific standpoint, a “catalyst” is also said to increase the rate of a reaction without undergoing any permanent change in itself. In its facilitation of investments and extension of assistance to industries beyond its own inherent capabilities and comfort zone, NDC remained a constant. Yet, change and evolution through time, and realignment with the different mandates of a colonial power, a wartime administration, and a succession of Philippine presidents, have also been necessary to NDC’s continuing existence. It has survived government turnovers, political shifts, changes in management and varying perceptions of its importance and purpose through the years. Always, in different degrees and through a myriad of means, the company has sought to fulfill its mission—to make economic development a reality for the Philippines and for Filipinos.

All in all, it has been 90 years of a job well done—and facing the challenges of a truly global economy, there is much more to do. This is the story of the National Development Company.





Chapter I

A MOTHER OF INDUSTRIES



The year was 1919, and the Philippines was in the midst of the American occupation. The national population of about 10 million people grew rice, sugar cane, copra, and hemp, and raised cattle and hogs as a livelihood. The recently passed Jones Law had created a Filipino-only bicameral legislature with a Senate and Lower House. Manuel L. Quezon, the Senate President, was the highest-ranking Filipino official in government, but remained under the authority of the American Governor General of the Philippines—at that time, a liberal lawyer named Francis Burton Harrison.

Harrison, who served as Governor General from 1913 to 1920, was considered a “Champion of Filipinization,” who entrusted many Filipino leaders with positions of authority in preparation for self-rule. He also believed in preparing the company in an economic sense by allowing government to participate in business development.



*Among NDC's first pre-war investments were tobacco plantations, through the National Tobacco Corporation.*

The Compañía de Fomento Nacional (literally, the Company for National Promotion), a semi-private corporation with the Philippine government as sole stockholder, was organized March 10, 1919 through a special charter granted by Philippine Legislature under Act No. 2849. The battlecry was economic development, specifically “to promote and maintain a general production by an efficient coordination of the productive forces of the country, or otherwise, and to secure

a stable market for Philippine products.” Later, the English name of the organization would come into more popular use: The National Development Company (NDC).

The company's first board meeting was held on March 8, 1920, at 4 pm at the office of the Secretary of Hacienda (treasury) Alberto Barretto in Manila. Minutes of the event note the attendance of Barretto, president of the company; Dionisio Jakosalem, vice-president;



Galicano Apacible, Venancio Concepcion, I.B. Dexter, E.J. Westerhouse, and Claude Russel, directors; and Miguel Unson, the representative of the government speaking for Gov. Gen. Francis Burton Harrison, Senate President Manuel L. Quezon, and Speaker of the House Sergio Osmeña. The company was authorized to enter into any business except banking, and was allowed to acquire more agricultural and mineral lands than what was allocated to private companies.



*Alberto Blanco Barretto, the first General Manager of Compañia de Fomento Nacional, precursor of the NDC.*



*NDC's very first subsidiary, the Cebu Portland Cement Company (CEPOC), began operations in 1923.*

NDC wasted no time in jump-starting what it judged to be essential industries. Its very first subsidiary, the Cebu Portland Cement Company (CEPOC), was organized by the end of 1920, incorporated in 1921, and began operations in 1923 with an initial capital of P5 million. Its reason for being was to reduce and stabilize the price of cement and manufacture an alternative to the imported Japanese cement that was dominating the market. The plant was built

in Barrio Tinaan, Naga, Cebu, a site chosen because of the availability of materials and its strategic location smack in the middle of the Philippine islands. It was initially serviced by the Philippine Railway Company, which carried some 1,000 barrels a day from the plant to wherever cement was needed to fuel the construction boom. That figure rose to 37,500 barrels a day in 1925, and hit a million barrels by 1939, helping curb the cement shortage that hit the country in 1934.



On February 8, 1920, 11,000 hectares of rice land, pasture, mountain, forest, and river bed, known as the Sabani Estate, were acquired by the NDC from American businessman F.W. Carpenter for the sum of P288,338.90. The area was located southeast of Bongabong, Nueva Ecija, and was primarily a rice plantation. Before the war, the land was rented out to tenants, while licenses to harvest forest products like timber had been granted to individuals.

It was acquired for a more lofty purpose, however, at the initiative of Senate President Quezon: to provide "land for the landless," with the intention of eventually subdividing the estate into plots for sale to tenants.

### Early critics

The initial success of such maiden ventures did not impress the company's early critics, however. In 1927, Harrison's

successor as Governor General, the conservative Leonard Wood, actually attempted to liquidate the Compañía. Wood insisted that the government should not meddle in business and private industry, but was met with opposition by Filipino officials. The attempt lost steam during the term of Wood's successor, Henry Stimson.

By 1934, Gov. Gen. Frank Murphy had chosen to revitalize the company, converting it into an agency for economic development, and drafting noted businessman Joaquin Elizalde to head it. Elizalde opposed any plans to sell crown jewel CEPOC at this point, and instead suggested other areas for development. A 15th anniversary supplement on the company published in *The Tribune* trumpeted how, under its accomplished General Manager Gregorio Anonas, NDC was now successfully operating various enterprises. "In spite of innumerable criticisms directed by high



*This imposing main gate led into the NDC Compound in Sta. Mesa.*



government officials...,” the article read, “this government-owned firm has made such splendid progress after 15 years of operation that it is now considered the most potent factor in the government’s industrialization program.”

After the establishment of the Commonwealth government in the Philippines, Commonwealth Act No. 182 amended NDC’s charter on November 30, 1936, converting it into a public

corporation that would “serve as an agency of the commonwealth government to further its economic policies.” Its mandate was to work as the government’s investment arm and to “develop, finance, and implement pioneering projects vital to the sustainability of the government’s structural reforms and economic policies.” Since the Tydings-McDuffie Act, also known as the Philippine Independence Act, provided for a 10-year transition to complete independence, the NDC



*Gregorio Anonas, NDC’s general manager in its 15th year, had a long record of government service.*

faced the formidable task of making sure the nation was economically ready to stand on its own.

Two years later, on January 9, 1938, Commonwealth Act 311 expanded NDC’s powers and gave it a 25-year corporate life, while allowing it to engage in the development of natural resources like water, public land, mines, and forests. A P50 million capital base was allocated. Added to its original



*A canning plant was opened as an allied service for the National Food Products Corporation.*



objectives was the engagement in enterprises necessary to economic development, or more significantly, which private capital was unwilling to enter into. In short, the NDC was tasked to test any uncharted waters, paving the way for private sector investment.

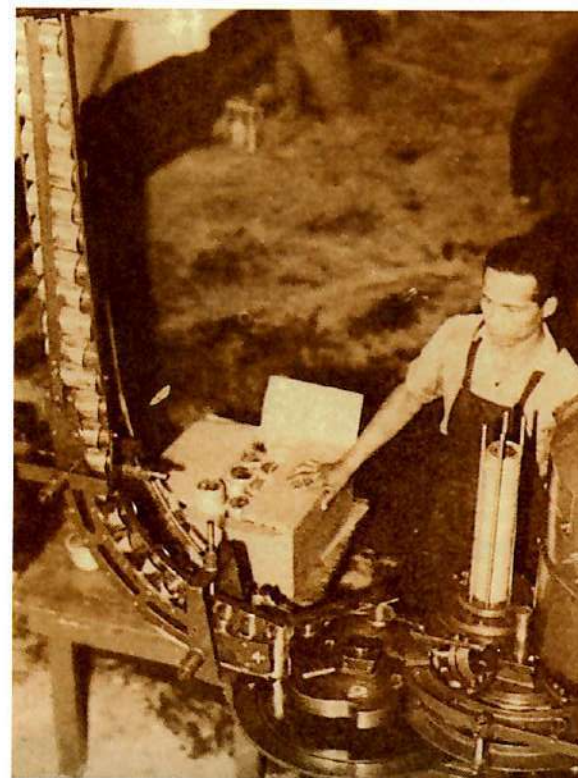
And jump into the waters it did, embarking on several endeavors. The National Food Products Corporation was organized as a subsidiary in 1937 with a capital of P2.5 million. NDC operated fish ponds, but mainly carried out the canning of fruits and vegetables. A can-making plant was opened as an allied service, while also servicing cooperatives and home canners.

The National Warehousing Corporation was established July 21, 1938, with an initial capital of P510,000, to extend facilities to small farmers in key areas. NDC built warehouses for rice, copra and tobacco, which farmers could store while

awaiting more favorable market prices. The Insular Sugar Refining Corporation was acquired by NDC in 1938. The refinery's original owners had wanted to transfer it to Hawaii or the United States, but the government wanted to keep the operation in the country to augment local production of the Philippines' quota of sugar for export to the US—50,000 tons a year, as specified by the Tydings-McDuffie Act. The government feared that the loss of the refinery would mean a curtailment in quota, lowered production, fewer jobs, and a weaker presence in the sugar market.

### **Shelter and food**

To improve the living conditions of laborers and low-salaried employees of both government and private companies, and to help solve the problem of congestion in urban areas, another subsidiary, the People's Homesite Corporation, was established with a capital of P2 million.



*Bangus was among the food products canned and distributed by the National Food Products Corporation.*





*The National Rice and Corn Corporation rationed rice after the war to ensure equitable distribution.*

A low-cost model community was established in Hacienda Diliman in San Juan, and sold to employees in monthly installments that were even lower than the cost of average monthly rent.

The National Rice and Corn Corporation was created with a capital of P4 million to stabilize rice prices and encourage farmers to increase rice production, with the ultimate aim of producing enough rice for domestic consumption. Organized in

1940 to aid shop owners and shoemakers in funding their own businesses, the National Footwear Corporation also helped shoemakers form cooperatives, which received loans from NDC to import materials.

Rounding out the NDC's active pre-war initiatives was the Manila Textile Mills, established in 1937 in the company's headquarters in Pureza, Sta. Mesa, Manila. The mills had 20,000 spindles,

505 automatic looms for weaving, and a finishing plant. A mining department was also opened for NDC to actively search for coal, oil, iron, sulfur, salt, pyrites, gypsum for cement manufacture, marble for building, and limestone and coal for the blast furnaces used in iron processing.

Other initial forays included the National Power Corporation, the National Tobacco Corporation, the National Abaca and Other Fiber Corporation, and the National Coconut Corporation.

With independence looming by the set date of July 4, 1946, the NDC faced a myriad of obstacles in its mission to fortify the Philippine economy. There was the anticipated reduction in government revenue once independence was declared. The country was not producing enough basic necessities such as food, clothing, building materials, and medical supplies. There was population congestion in certain areas, and agrarian problems in

ang  
**"NATIONAL FOOTWEAR SHOES"**  
 ay  
 muling magbubukas ng kanyang tindahan sa  
**309 AVENIDA RIZAL**  
 (Malapit sa Echague)  
 upang handugan ang madla ng dating paglingkod sa pamamagitan ng pagbibili ng iba't ibang uri ng sapatos ng lalaki, babai at bata na yari sa mga sangkap na mataas ang uri  
 \* \* \* **MURA MATIBAY MAGANDA**  
**National Footwear Corporation**  
 309 AVE. RIZAL. at PUREZA STA. MESA.

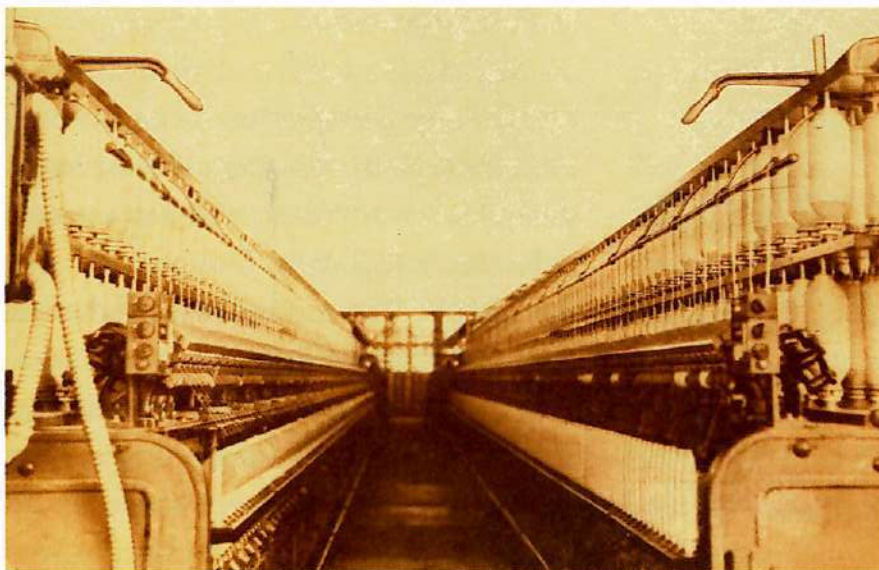
*A print ad extols the virtues of the products of the National Footwear Company—cheap, durable, and good-looking.*



others. The Philippines was performing weakly in the export of sugar, copra, abaca, and tobacco. The country lacked its own sources of power and fuel, strategic industries, large-scale transport facilities, employment opportunities, and means for providing financial assistance to small businessmen.

By the time World War II broke out in 1943, however, several of NDC's companies and subsidiaries were

progressing. The sugar plant was turning out 1,500,000 bags of refined sugar a year. The finishing plant of the Manila Textile Mills could dye, bleach, print, mercerize, and finish cloths produced in its weaving department or imported from abroad. Mechanical weaving was being expanded, and yarn was being sold to weavers all over the islands. The mining department and CEPOC were operating coal mines in Malangas, Zamboanga and Uling,



*The Manila Textile Mills were established before the war within the NDC Compound in Sta. Mesa.*



*Abaca plantations, like this one in Albay, were established by the National Abaca and Other Fiber Corporation.*

Cebu. Malangas was supplying coal to ships and the cement plant; Uling was producing 100 tons of coal daily, and the country had not imported coal for two years before the war. The canneries in Pampanga, Capiz, and Cebu were operating full blast, selling to both the military and civilians. Even during the war, the canneries supplied fish to the sixth military district under Gen. Macario Peralta. From the Visayas, dried fish was shipped by *paraos* or sailboats



to Manila, distributed to civilians, and even fed the prisoners of war detained at the University of Santo Tomas. Sadly, the canneries would be the hardest hit by war due to the destruction of their facilities and fish ponds; even the can-making plant would become idle and eventually shut down.

The National Rice and Corn Corporation was able to nationalize the rice trade, but had to resort to importing grains after the

war for rationing in the city, to quell social unrest and make sure the staple food was equitably distributed.

After the war, the NDC confronted the double responsibility of continuing where it had left off in its task of economic development, and fixing whatever the war had derailed. With several industries in disarray, the company became the government's main arm for its rehabilitation program.



### Post-war recovery

After the liberation of Cebu in 1945, immediate plans were made to reconstruct the Cebu cement plant, with replacement parts for machinery brought in from the United States. Executive Order 93, issued on October 4, 1947, effected some changes among NDC's pre-war holdings. The National Rice and Corn Corporation became a separate government entity, while the People's Homesite Corporation



*(Above right) Rattan was among the crops grown in NDC-run plantations in Agusan province, northeast Mindanao.*

*(Left) Coal mines in Malangas, Zamboanga were operated by CEPOC and the NDC's mining department.*



was merged with the National Housing Commission and converted into an independent company, the People's Homesite and Housing Corporation. This new corporation would be responsible for constructing "projects" for low-cost housing, where many middle-class urban Pinoys live to this day. The warehousing and footwear companies were dissolved, in spite of the latter's valuable wartime service of providing shoes to the Philippine Constabulary and other government employees.

In line with its original mission and the government's social justice program, NDC began to sell lots in the Sabani Estate to tenants in 1946, payable on installment over 10 years. To help rehabilitate a lumber industry that had been destroyed by the war, Proclamation No. 29, dated July 29, 1947, apportioned 165,000 hectares in Agusan as a "Special Forest for Government Lumber Production Purposes." Rattan was one of the first crops to be planted in the area.

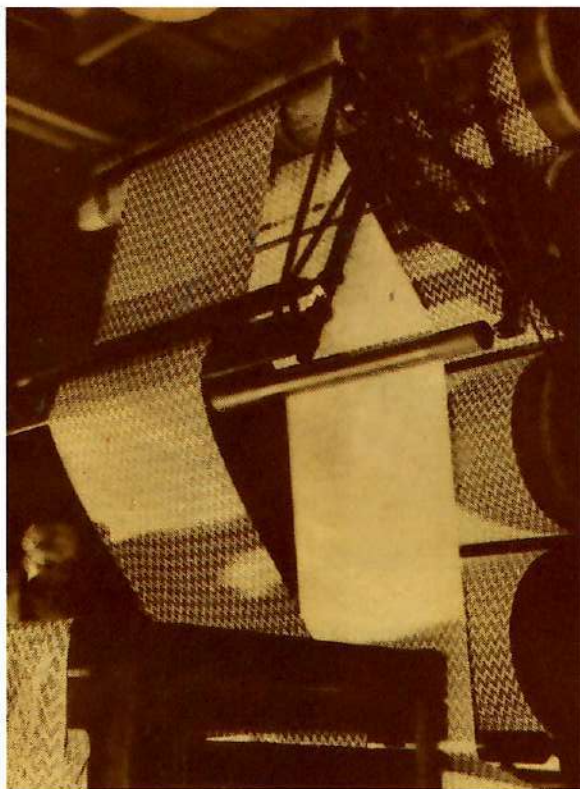


*The People's Homesite and Housing Corporation aimed to provide affordable housing to low-salaried employees.*

The NDC acquired logging mill equipment in Butuan, Agusan, and a finishing mill in Sta. Rita, Batangas. The Batangas Lumber Finishing Mills was completed in December 1948, but encountered delays in operation. Both mills would later be turned over to the Bureau of Prisons for their agricultural development and colonization projects in Agusan, so while the bureau took over lumber production, sale of products and administration of the forest reservation remained with NDC.

After the war, NDC found some abandoned textile machinery and equipment in the company's Pureza compound, which had been hurriedly left behind by escaping Japanese forces. Equipment was catalogued and assembled, spare parts ordered from Japan to get machines running again, and the plant rehabilitated—a serendipitous start-up, care of the former colonizer. The whole operation was eventually relocated to Barrio San Antonio, in Narvacan, Ilocos Sur.





*This textile printing machine was among the modern facilities at the Manila Textile Mills.*

With operating capital from its older sibling, the Manila Textile Mills, and a loan of P2.5 million from the National Treasury, it was rechristened the Ilocos Textile Mills in 1949, with operations beginning in 1951. The government saw the mill as a means to rehabilitate the faltering Ilocos home cottage weaving industry, what with over 18,000 spindles capable of producing 10,000 yards of yarn a day. The region was known for its local cloth, *abel Iloko*. It was hoped that the rejuvenated industry would improve living conditions, generate additional income, and scale down migration to the city.

“Life Comes to the Old Home Town,” an article by Lope Luciano in the *Sunday Tribune Magazine*, recounted “the story of a typical Philippine town (Laoag) whose vitality has been sapped by the failure of its industries and the emigration of its inhabitants.” The photographs showed “NDC technician” Dr. Manuel Roxas encouraging Laoag residents to grow cotton and weave.

Another industry that the NDC was keen on jumpstarting was pulp and paper production. Pulp and paper machinery had been left by retreating Japanese soldiers inside the Insular Sugar Refining Corporation premises in Mandaluyong, another start-up left behind in the chaos of escape. Inaugurated October 31, 1949, the NDC Pulp and Paper Mill could produce 20-25 tons of kraft paper daily, and a paper bag-making facility imported from the US was soon producing paper



*Weavers turn out local abel Iloko fabric at the Ilocos Textile Mills.*





*Mariveles, Bataan was the site of a proposed post-war National Shipyard.*

bags from local materials for cement, lime, the coconut industry, and the local paper products industry, while providing direct assistance to the abaca and lumber industries by using their waste products.

### **Shipping ahoy**

Another post-war imperative was the development of a competitive shipping industry. The National Shipyard and Heavy Industries included plans for the

first shipyard in the country that could repair and build inter-island vessels. Manuel Felizardo, an engineer from the Government Marine Railway and Repair Shops (known after the war as the Engineer Island Shops), and Dr. Leonardo Estrada of the Bureau of Public Works had been sent to the US before the war to study how the task could be accomplished. Plans to build a shipyard that could accommodate vessels up to 10,000 tons were suspended by war. Soon after, in 1948, Felizardo

picked up where he left off and helped prepare a blueprint of the proposed National Shipyard to the Reparations Advisory Committee. On the list was a shipbuilding yard and graving docks in Mariveles-Sisiman Beach, Bataan, where at least 25 crafts—from ferries and fishing boats to naval craft and passenger vessels—could be built in a year. Believing that such a shipyard was essential to the Philippine archipelago, where transport of people and cargo by water was still



crucial, NDC provided the capitalization of P16 million. A shipyard would mean substantial savings in dollar reserves that went to repairs and shipbuilding in Japan and Hong Kong.

In 1912, the Gas Works Construction Company of Bremen, Germany had opened the Manila Gas Plant and was the first to send out gas to fuel Manila. In 1948, NDC was invited by the new owners, Islands Gas and Electric Company of

New York, to invest P1.5 million for the rehabilitation of the Manila Gas Company (MAGASCO) after war destruction. The company soon owned 60% of MAGASCO. Around the same time, the Westinghouse International Electrical Company and the Philippine Industrial Equipment Company submitted a proposal to the Philippine government for an enterprise that would sell both incandescent and fluorescent lights under the Westinghouse license. The Philippine Electrical Manufacturing

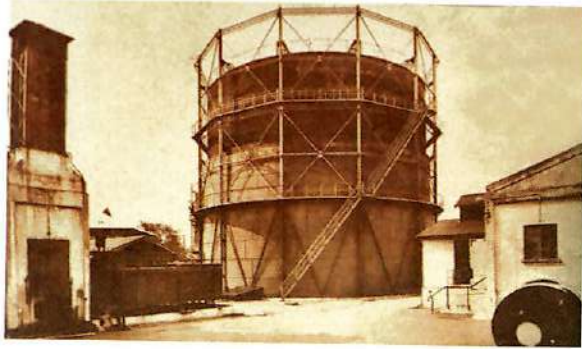
Company (PEMCO) was born, and set out to produce an initial salvo of 625,000 fluorescent and 2.5 million incandescent lamps a year.

In 1941, some mining businessmen, including Col. Andres Soriano, started the Philippine Aerial Taxi Corporation (PATCO) as a shuttle between Manila and their mining operations, many of them in Baguio. Later, after the demise of PATCO, Soriano kept the franchise and used it to



*After the war, NDC invested in the rehabilitation of the pioneering Manila Gas Company.*





*The Manila Gas Company began operations in 1912, laying pipelines for the distribution of gas in Manila.*

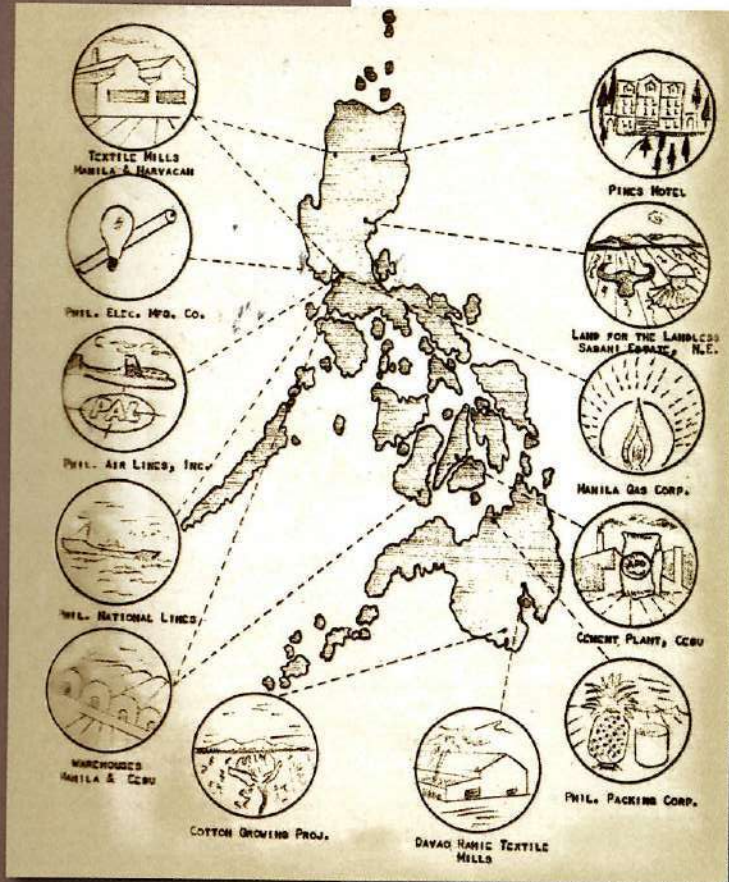
form Philippine Air Lines (PAL), what would be the first commercial carrier in the Far East. After the war, operations resumed in February 1946, with five planes offering domestic service and NDC investing 34% of total capitalization.

That same year, PAL was flying to the US west coast and Asia, later extending its route to Rome, Madrid, Calcutta, Karachi, and Cairo. PAL grew along with NDC's investment in the company; in 1950, NDC



*The administration building of the NDC in Sta. Mesa was built in 1919.*

had sunk in some P5 million in the airline, which now had 41 domestic destinations, along with non-stop international flights. The US National Safety Council presented an Award of Honor to PAL for its excellent industrial performance record in 1956. The government saw the importance of a national carrier; in 1959, Congress approved Republic Act 2232 to help reactivate PAL's suspended international service, while Republic Act 2360 extended the company franchise for another 25 years.



## Chapter II

# EXPANSION AND LOSS



The '50s and the '60s were years of continued investment and development of new industries by NDC, despite the constant burden of financial losses. The company posted a net profit of P1.5 million in 1951, despite "increased labor costs, weakening purchasing power of the peso, the heavy burden of interest which the company has been shouldering on loans from the various government banks to finance new enterprises, and gratuities paid to laid off workers," wrote General Manager Amado Bautista. Some properties were turned over to the Land Settlement and Development Corp (LASEDECO) and the National Shipyard and Steel Corporation (NASSCO). CEPOC was posting a profit, however, with post-war expansion allowing the turnout of 20,000 bags a day. A second plant, the Bacnotan Cement Plan in La Union, was inaugurated in June 1954 and subsequently sold to Bacnotan Cement Industries. CEPOC also took over the management of the Malangas Coal Mines

from NDC, becoming a completely separate enterprise, CEPOC Industries Inc., in 1964. It was even the beneficiary of a United Nations aid plan to develop more coal mines.

To support the Ilocos mill, NDC sought to promote the cultivation of cotton in the Philippines, to allow the country to produce a constant supply and manufacture more cotton products. NDC's textile mills used a whopping 6 million

pounds of cotton a year. In 1953, the company bought 22 tons of cotton seeds for P25,000 from the US and distributed them to farmers for free. The Philippine Cotton Development Corporation was created to help poor families by teaching them to weed, cultivate, and harvest cotton. By 1956, cotton had been planted extensively in Cotabato. Unfortunately, despite constant efforts and consultations with experts from the Bureau of Plant Industry, plagues and droughts continued



*Representatives of the United Nations Bureau of Mines and CEPOC mining engineers visit the Malangas Coal Mine.*



to hinder full-scale production, and attempts would continue for many more years. By the 1960s, cotton plantations would be confined only to some 100 hectares, and the planting of subsidiary crops and tractor servicing would be carried out to generate more revenue for the plantations.

The Home Industries Project was created in 1954 as an outlet for the yarn produced by the Ilocos Textile

Mills. NDC underwrote the training of thousands of men and women in Manila and the provinces in hand knitting, and acquired Japanese knitting machines or looms that were later sold to trainees to start their own home businesses; thus, the project was considered more of a social than an economic investment. By 1960, the project had trained some 55,000 knitters and 30,000 weavers. Even after the project was terminated, its graduates would find jobs as demonstrators and

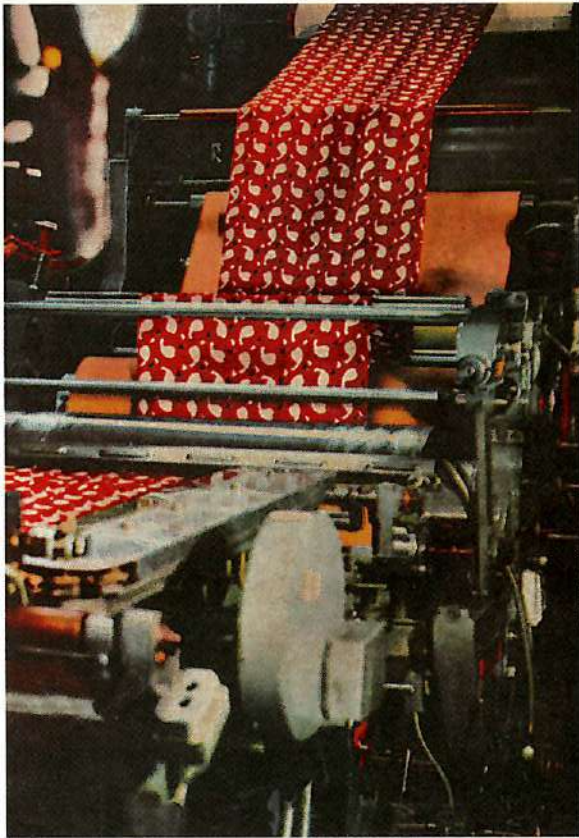
instructors for industrial arts and trades and home economics in schools and universities; trained weavers and knitters pooled resources to buy machines and start home shops. They also organized cooperative stores and worked in home weaving enterprises all over the country.

In 1957, the Manila Textile Mills would bring in the first sanforizing machine to prevent shrinkage. Upon the initiative of then President Ramon Magsaysay, who believed in the potential of the fabric, the Davao Ramie Textile Mills (Daratex), the first integrated textile mill for ramie, was established in Daliao, Davao, with initial capital of P10 million, and with the intention of eventually selling the company to the Davao Fibers Cooperative Association. European technicians helped install machines that were projected to produce about 4.5 million yards of textile annually, while providing jobs to 600 people.



*NDC invested in cotton plantations to supply these looms and produce the fabric for local consumption.*





*The Manila Textile Mills brought in the first sanforizing machine to prevent fabric shrinkage in 1957.*

### **Tough times**

NDC reeled from a number of blows in the late '50s. There was a worldwide recession in 1958, Republic Act 1680 reduced the government work week to five days, and the National Textile Workers Union went on a crippling strike. Despite the constant purchase of its output by the Home Industries Project, however, the Ilocos Textile Mills would suffer from competition from cheap yarn brought in from Hong Kong and Japan and the opening of other local mills. It would eventually close in 1962.

Several NDC companies were abolished, including the corporations that dealt with abaca, tobacco, rice and corn, and footwear. There were attempts to transfer the Sabani Estate to new government agencies taking over the administration of the landless, such as the National Resettlement and Rehabilitation



*Economic Coordinator Constancio Castañeda inspects the National Crown Textile Mills in Narvacan.*

Administration (NARRA) and the Land Tenure Administration, even as land was already being sold to its tenants.

There were bright spots in the seemingly bleak picture, however. In a protracted legal tussle, the company had also terminated a management contract with De la Rama Shipping and struggled with the maintenance of three unproductive vessels. Still, because of the Overseas Shipping Act of 1955 (RA 1407), NDC was still



designated as the implementing agency for the expansion of the Philippine shipping industry, with P20 million a year for five years appropriated for the task. NDC began by buying 12 super cargo liners, built by top Japanese shipbuilders, each vessel costing US\$3.6 million, financed through bonds. The vessels were also projected to increase the carrying capacity of Philippine shipping, a much-needed boost to the industry, and earn some US\$20 million annually. The plan was to later sell the vessels to private shipping companies with at least 60% Philippine capital for private operation. Seven ships were awarded to United Philippine Lines and five to the Maritime Company of the Philippines. Within a few years, the plan was proceeding well, and NDC was facilitating the acquisition of 15 more vessels for other shipping lines.

The Pines Hotel, a landmark hotel in Baguio City, was built after the war with money from the Department of Public Works and Communication. In 1963, the



*The Pines Hotel in Baguio City was built after the war, and became the property of NDC in 1963.*

hotel and the 4.4-hectare area it stood on became the property of NDC, and were put up for public bidding. PAL enjoyed a growing market because of its growing reputation for dependability and the excellent performance of its personnel, and the ramie plant in Davao was producing 14,000 yards of fabric a day.

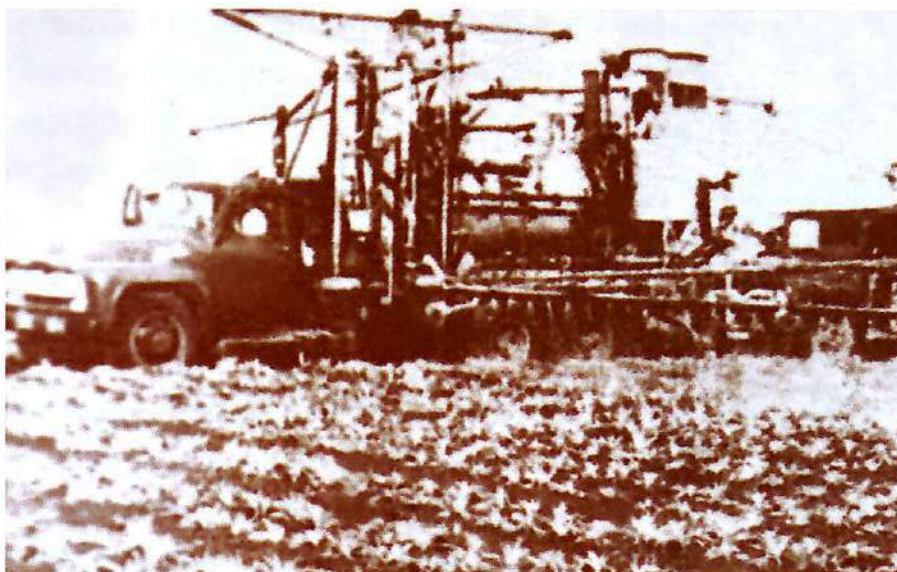
In 1962, management attempted to rationalize the continually bleak figures by defining the role of NDC as a “service

corporation” which “cannot make profits unless its investments...yield enough profit and dividend to cover NDC’s expenses as a holding company.” Still, management reiterated, the company was “far from a liability, as many have been erroneously made to believe...It is a common mistake to believe that once a government corporation is extended funds for the development of new and essential enterprises, the same is impatiently expected to reap profits in no time. Ironically, due credit and recognition are not given to the public service aspects in the work of government corporations, the calculated risk taken in pioneering projects where private capital is shy to invest.”

### **New explorations**

Despite the poor operations of the three *Doña* vessels, a renegotiated loan for the ramie plant, and the closure of the Home Industry Project, NDC still actively sought





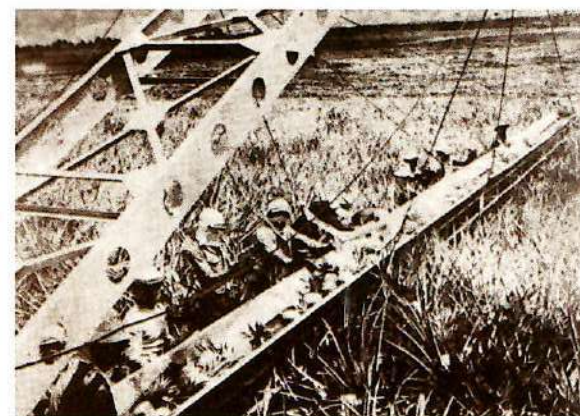
*More NDC-owned agricultural land in Bukidnon was leased to the Philippine Packing Corporation, now known as Del Monte Philippines.*

new areas for exploration. Among these were the feasibility of a ceramic sanitary wares plant; the expansion of the Philippine merchant marine industry; a urea fertilizer plant in Negros; a synthetic fiber plant for clothing materials to blend with ramie; laterite ores to be processed on 2,500 hectares of leased land in Surigao; a revival of the pre-war food cannery, specifically for fish; and a five-story concrete warehousing building in South Harbor, in an area occupied by temporary quonset huts.

In 1963, NDC sold its majority shareholdings in PAL to the Government Service Insurance System (GSIS), and the cash used to pay P3.9 million in settlements for laid-off employees after the closure of the Manila Textile Mills, which was later sold to its former workers. Additional income was still generated by the passage and freight earned by ships, the sale of cement and marble from CEPOC, fuel and gas from MAGASCO, and light bulbs from PEMCO. The year

also marked NDC's entry into pineapple production, the first for the government, with the lease of 8,195 hectares of land in Bukidnon to Philippine Packing Corporation on a joint venture, with NDC earning rental per hectare as well as a share in the plantation's profit.

There were other joint ventures with Dole Philippines, which leased 8,000 hectares in Cotabato, also for pineapples; with Hi Valley Corporation, which



*NDC leased property to Dole for the company's pineapple plantation in Cotabato.*



*The Earth Satellite Facility of the Philcomsat was initially funded by NDC.*



leased 2,856 hectares in General Santos to plant cassava; with Gomez Cellulose International, exploring the possibility of turning abaca into cellulose and paper; and with Chemical Products Corporation for organic insecticides and fertilizers—specifically, for an innovative new project, a nicotine sulphate plant in Bocaue, Bulacan that used waste tobacco from plantations and cigarette factories to produce an insecticide used in fruit and vegetable growing as well as in the production of medicine.

Forays in the fields of communication and medicine became more feasible with advances in technology in the '60s. In a move to participate in the International Satellite Communications System, NDC organized the Philippine Communications Satellite (Philcomsat) with P55 million initial capital, to build a station that would transmit and receive pictures and news reports from similar stations in other countries, beamed through

satellites that hovered in space above the Pacific and Indian oceans, and to be aired on local television. Some 3,000 square meters of land in the NDC Compound was also allotted for the establishment of an industrial medical center to cater especially to skilled workers.

As NDC marked its golden anniversary in 1969, it was able to look back on many fruitful years of pioneering investments in a broad range of interests, count its victories and losses, and pave the way for private sector involvement. In his commemorative message, President Ferdinand Marcos noted how "many solid and prestigious industries and business concerns in our country today owe their beginnings to the NDC, and received meaningful assistance through the crises of infancy." That same year, the Pines Hotel was sold to Resort Hotels Corporation for P6.8 million, payable in 10 years. Ground was broken for the Industrial Estate Corporation in Limay, Bataan, targeting power-consuming



industries. The Industrial Doctors' General Hospital which was proposed to be built by NDC did not push through. NDC also invested in the expansion program of the Republic Telephone Company.

### **Mother of invention**

Gomez Cellulose International Inc. hogged the limelight after President Marcos made special mention of the enterprise in his 1969 State of the Nation Address (SONA). "Technological advances leading to the development of many types of synthetic fibers have eroded our traditional market for abaca cordage," the President said. "We have to find new uses for abaca, and long and painstaking research efforts are now starting to pay off...The Gomez process for the manufacture of abaca chips as raw material for long-fibered pulp will soon be tested on a commercial scale with the establishment of a pilot project with the financial support of the NDC."



*NDC signed a joint venture with Gomez Cellulose International on November 8, 1968.*

As the '70s rolled in, NDC was performing decently with revenues of P3.26 million. Land distribution in Sabani was fast-tracked, while more money was infused into Gomez Cellulose International. More ships were being asked for in the national shipbuilding program, as the volume of foreign trade was more than the shipping tonnage could handle. There were even whimsical plans for an agro-industrial estate in Antipolo, "a resort city like Disneyland

in Los Angeles," complete with a National Park and Wildlife Area, a zoo, botanical gardens, playgrounds, a golf course, swimming resorts, and slew of other recreational facilities. It was an attractive concept on paper, but NDC would soon be facing other, clearer directions, thanks to a much-needed shot in the arm.



Chapter III  
NEW LEASE ON LIFE



In 1975, under General Manager Carlos Morales, the NDC received yet another new lease on its corporate life. Presidential Decree 886 extended the company's existence for another 25 years from January 6, 1976, with the corresponding substantial increase in capital from P50 million to P200 million, as well as powers to act in behalf of the government.

One of these powers was to acquire, hold, develop, and dispose of all lands that had been acquired by Americans according to the Laurel-Langley Parity Agreement, after such rights expired in 1974. NDC found itself the owner of 60% of several realty companies that served as land holding companies for multinational corporations Caltex, Pepsi Cola, General Electric, Getty Oil, and Goodyear Tires. To allow the companies to continue operation, the rights to the substantial tracts of land were transferred to these holding companies, which in



*In 1981, the NDC office was located in this Makati building, on Buendia Avenue.*

turn leased the land back to the tenants. The company also extended the lease of pineapple plantation land to Philippine Packing for another 25 years.

Shipping remained at the top of the company's list of priorities. In what seemed like an appropriate extension of the Overseas Shipping Act of 1955 (RA 1407), Presidential Decree no. 878 authorized the company to assist local shipbuilders and give the inter-island

shipping industry a boost. A loan of P30 million went to the Bataan Shipyard and Engineering Corporation Inc. (BASECO, formerly NASSCO) for the expansion and construction of shipyard facilities, while shipping line Jao and Company got P7.52 million to finance six tugboats. Two years later, President Marcos authorized the Luzon Stevedoring Company and NDC to partner in forming the Philippine Dockyard Corporation, which would go on to build the 101.8 meter-long *MS Katutubo*, the first ocean cargo vessel ever built in the country. NDC's capital, meanwhile, was pumped up to P450 million.

In the area of mining, Presidential Decree 1169 of 1977 authorized NDC to represent the government in an ambitious consortium of Philippine mining companies to build the first integrated smelter and refinery project in the country, the Philippine Associated Smelting and Refining Corporation (PASAR), in which the company owned 34.3% equity.





*The MS Katutubo was the first ocean cargo vessel ever built in the country, by the Philippine Dockyard Corporation.*

The copper facility in Isabel, Leyte was envisioned to process locally produced copper concentrates into metal.

Despite the giant forays, the company continued to pay attention to small and medium industries. It poured P25 million into an innovative little company called Hyacinth Research and Development Corporation, which was experimenting on the use of water lily and other recycled organic wastes such as rice husks, cassava

peelings, leaves, and tops to convert into low-cost animal feed, in a recycling process invented by Panday Pira awardee and scientist Dr. Godofredo Monsod Jr.

The year 1979 provided even more impetus to the work of NDC with its reorganization and the revision of its charter, in accordance with Presidential Decree 1648 of October 25, 1979. This allowed the company to provide not just capital, but managerial expertise

for any projects it undertook, while realigning it with the government's target of industrial development. With a substantially beefed-up capitalization of P10 billion, NDC was tasked to promote the modernization as well as the rehabilitation of distressed companies, according to three premises. First, the company being assisted had to be a viable undertaking. Second, with the provision of managerial expertise, NDC was viewed not just as a portfolio investor,



but as an active participant or steward. And third, once the rehabilitation of the company was accomplished, NDC was to sell its interests in the company to the private sector as soon as it was able to continue operations without government support. "NDC is helping fill an important gap in the economy by taking a management and stewardship viewpoint in companies where it has investments," said General Manager Antonio Carpio. "NDC, therefore,

gets deeply involved in all phases of a project, from conceptualization, development, construction, operation and management, depending on the nature of a particular project."

### **Cabinet involvement**

Reorganization also meant turning over management of NDC to cabinet level officials, with the Minister of Trade and Industry serving as Board Chairman,

and the Ministers of Finance, Energy, Budget, and Natural Resources, the Central Bank governor, the Development Bank of the Philippines Chairman, the Board of Investments Vice-chairman, and NDC's General Manager all sitting on the board. As the 1980s began, Minister Roberto Ongpin reiterated the company's mission "to develop and implement projects which are the cornerstones of the new industrialization program of the government." The aim was to "manage projects, both large and small, profitably," from major undertakings in copper smelter, integrated steel, phosphatic fertilizer, mining, construction, and transport, to helping small businesses through the NDC-NACIDA Raw Materials Corporation and other venture companies.

The recapitalization gave NDC both the influence and the resources to go full speed into project development. In 1981, equity was infused into the Construction and Development

*PASAR is the only copper smelter and refinery in the country.*





Corporation of the Philippines (CDCP), the country's biggest construction company. Equity also went into holdings of the Herdis Group of Companies, such as the Philippine Cellophane Film Corporation in Naguilian, La Union, a P200 million plant that manufactured 5,000 tons of cellophane a year; Cellophil Resources Corporation, a logging and reforestation operation; the Semirara Coal Corporation, which produced more than a million tons of coal a year at full



capacity; Refractories Corporation of the Philippines, a manufacturer of refractory linings for industrial kilns and furnaces; Asia Industries, which dealt in heavy equipment and machinery trading; USIPHIL, which carried the Caterpillar line of heavy equipment in the country; and the International Banking Corporation (Interbank), a commercial bank. The Philippine Cellophane Film Corporation would be converted into the National Rayon Corporation, a plant for producing a staple fiber used in the textile industry as a complement to cotton and polyester.

A slew of large-scale industrial projects were on the roll. The P3.2 billion copper plant had begun construction in 1980, and was expected to process 500,000 dry metric tons of copper concentrates to produce 138,000 metric tons of 99.9% pure copper cathodes a year. The copper plant's production of sulfuric acid would also be used in a nearby phosphatic fertilizer plant, a joint venture between NDC, which held



*(Above) Refractory bricks are fired in a kiln at the Refractories Corporation of the Philippines.*

*(Left) USIPHIL, a Herdis company which NDC bought into, distributed the Caterpillar line of heavy equipment.*



60% equity, and the government of the Republic of Nauru. By 1987, the plant was expected to have an annual production of 350,000 metric tons of phosphatic fertilizer, much of it for export.

The integrated steel mill project in Iligan used the facilities of the Iligan Steel Mills Corporation, which had been acquired by NDC and would later give birth to the National Steel Corporation, to keep up with the increasing demand for steel products. Production was expected to hit 1.2 million metric tons of slabs a year. In 1989, the expansion of the Paper Industries Corporation of the Philippines (PICOP) pulp and paper mill in Bislig, Surigao del Sur increased its newsprint capacity to 45,000 metric tons a year.

### **An agricultural thrust**

On the agricultural front, a new thrust was defined for agriculture and forestry, with four basic objectives. These were the



*The NDC-Guthrie Plantation in Agusan was planted with oil palms.*

diversification of foreign exchange earnings through non-traditional agricultural exports; the introduction of new agricultural technology through joint ventures with foreign companies; the creation of more jobs in labor-intensive plantations; and the rehabilitation of ecological systems through the planting over of denuded areas.

Palm oil was explored as a possible crop for export because of its high yield. The NDC-Guthrie Plantation Project

in Agusan del Sur was a partnership between NDC and Kumpulan Guthrie of Malaysia to establish oil palm plantations, with loans from Great Britain's Commonwealth Development Corporation (CDC) and the World Bank. Another joint venture, Agusan Plantations Inc., would put up a palm oil mill and refinery in a depressed area. The University of the Philippines (UP)-NDC Basilan Plantations Inc. would plant 3,920 hectares of land granted to





*(Left) Quality Philippine furniture and crafts are marketed worldwide by the PITC.*

*(Below right) Latex is harvested from rubber trees at the UP-NDC Basilan plantation.*

the university in Basilan with rubber, coconut, and coffee. Sime Darby, which acquired and operated rubber plantations for BF Goodrich, was engaged to manage plantation areas to develop new crops like cacao and pepper.

To further develop agricultural independence and sustainability, NDC embarked on the Euphorbia Project with UP Los Baños to possibly grow *Euphorbia tirucalli*, an alternative source of energy

fuel, while studying its applicability to the industrial setting. Finally, a rattan plantation project of the National Rattan Corporation planted an initial five hectares of the durable and useful vine.

Going regional, the NDC represented the Philippine government in the Association of Southeast Asian Nations (ASEAN) Industrial Projects, ventures undertaken by the region's governments to take advantage of the ASEAN preferential

market and promote cooperation among economies. These included urea and ammonia projects in Indonesia, an ammonia-urea project in Malaysia, a rock salt-soda ash project in Thailand, and a copper fabrication company in the Philippines.

Also looking outward, NDC acquired the Philippine International Trading Corporation (PITC) in 1981, and was mandated to generate exports of non-traditional Philippine products, while



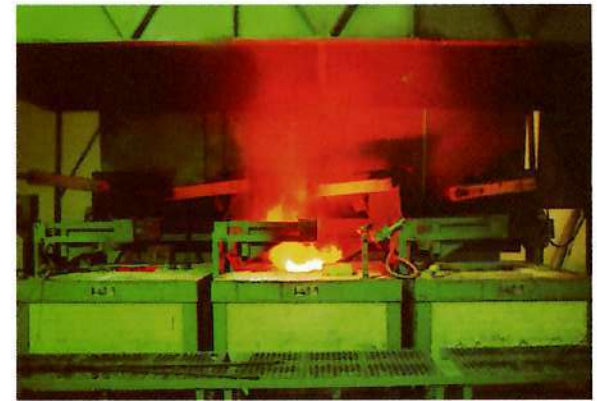


bringing to the world's attention the high quality and well-designed furniture, garments, fashion accessories, footwear, and leather goods manufactured in the Philippines, along with less glamorous (but equally valuable) products like fertilizers, copper cathodes, and building materials. The PITC opened showrooms in San Francisco, Dallas, Los Angeles, Munich, Paris, London, and Sydney. Thanks to financial assistance that made possible the continued importation of required raw materials, local manufacturers and artisans got to work, resulting in dramatic increases in sales over just a year, from P1 million in 1983 to an astounding P31 million in 1984.

### **Small entrepreneurs, big business**

The Venture Capital Corporations (VCC) Project of 1980 was designed to provide alternative and innovative sources of funding assistance for small and medium enterprises in a joint venture among 17

local commercial banks, NDC, and the Human Settlements and Development Corporation. NDC infused P1 million into each of the VCCs, representing 20% equity in each area. Meanwhile, the raw materials assistance project was launched with the wholly NDC-owned subsidiary, the NDC-NACIDA (National Cottage Industry Development Authority) Raw Materials Corporation (NNRMC), in 1981, in order to establish a stable source of raw materials for local businessmen and craftsmen at competitive prices, made possible through exemptions from import taxes. The NNRMC sought to reach some 10,000 NACIDA-registered companies with capitalization not exceeding P100,000, providing rattan and wood for furniture, leather for leather goods and footwear, clay, glazes, *buri*, metals, raffia, and imported fabrics. By 1982, NNRMC had also opened warehouses and buying stations in Cabanatuan, Butuan, Ozamiz, Zamboanga, Palawan, Davao, and Tacloban. By the mid-'80s,



*Materials are subjected to an automatic salt bath heat treatment at the National Precision Cutting Tools plant.*

the VCC Project had created 6,655 jobs and brought home US\$12.4 million in foreign exchange earnings.

Even specialized industries did not escape NDC's attention. The National Precision Cutting Tools Inc. was a modern cutting tool plant, the first of its kind in the country, which churned out tools for metal and wood work and the automotive industry. The first integrated textile plant in Mindanao, the Mindanao



Textile Corporation (MINTEX), also engaged in garments manufacturing, and could produce 180,000 dozen knit tops and 24,000 dozen jeans annually. It also gave jobs to 450 employees, mostly Muslims or rebel returnees, who made garments for markets in the US and Canada.

The Overseas Construction Project saw NDC having 40% equity in the Filipino Contractors International Corporation,



*Cloth patterns are prepared at the Mindanao Textile Corporation.*

an umbrella organization for 23 large construction firms working to strengthen the country's presence in the international construction scene. First on its project list was the construction of physician's villas in the King Faisal Medical City in Saudi Arabia.

By the mid-'80s, most of NDC's holdings were performing commendably. Companies such as Interbank, Marina Properties Corp., and the National Shipping Corporation of the Philippines were turned around. The Semirara Coal Corporation was meeting the requirements of Napocor as well as mining and cement companies.

The PASAR plant began operations in 1984, with a capacity of 138,000 metric tons of high-grade cathodes. Philippine Phosphates Corporation (PHILPHOS), with its 180-hectare plant sitting in the Leyte Industrial Estate in Isabel, Leyte, became the largest fertilizer operation in



*The National Dignity was one of the vessels purchased and operated by the National Shipping Corporation.*

Asia and one of the largest in the world. The operation was so huge, it had its own wharf for shipping 10,531 metric tons to the local market and 5,000 metric tons to Indonesia.

The wholly-owned National Steel Corporation became the leading steel manufacturer, with a net profit of P238 million in 1984. Interestingly, it had begun as a rescue operation for the floundering Iligan Integrated Steel Mill in 1974, which



was followed by turnaround jobs for other steel mills like Elizalde Steel, Philippine Plate Mills, and others.

Long-time NDC subsidiary Manila Gas Company, which had been founded in 1912 as the first public utility to lay pipelines to distribute gas to the city of Manila, had become one of the country's biggest companies by the early 1980s. It had acquired other gas distributors, and was now selling LPG tanks and

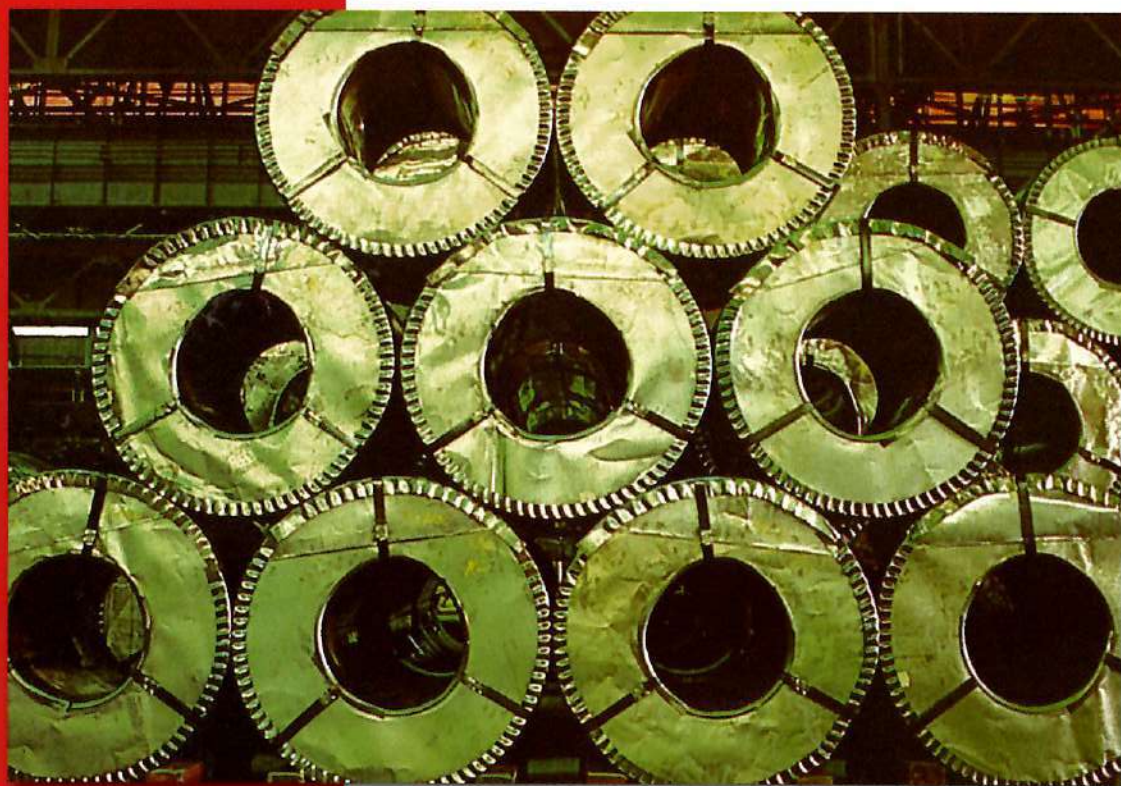
cylinders. Through the National Shipping Corporation, NDC had purchased and operated five vessels that provided the only direct container service from the Philippines to the US, while also traveling to Hong Kong, Kaohsiung, Taiwan, and Korea. The National Marine Corporation acquired companies from CDCP involved in stevedoring, trucking, heavy lift operations, household goods moving, air cargo forwarding, inter-island shipping, ship repair, and warehousing.

The Marina Properties Corporation was acquired to manage the Manila Marina, 172 hectares of reclaimed land along the bay on Roxas Boulevard and redesigned by NDC without changing the original concept—that of a residential community with a commercial center and yacht club. An initial phase, Marina East, already had 340 residential lots, with walkways, sidewalks, and electrical and sewage systems.

*PHILPHOS operated from a 180-hectare plant in the Leyte Industrial Estate in Isabel, Leyte.*







Chapter IV

INVEST, OPERATE, DIVEST



With the change of government in 1986 came a reorganization of government companies and structures, and NDC was not spared. Proclamation 50 provided for all government corporations to privatize. While NDC came under close scrutiny, its mission and function thoroughly redefined, the administration of Pres. Corazon Aquino also recognized the critical role it had played in national development over the years. "It is no exaggeration to say that the NDC

chronicles the economic history of the Philippines," President Aquino wrote in the 1989 commemorative annual report. "The twisting of its mission by the previous government and its business associates was the tragic chapter in its distinguished history. That has been largely straightened out under the new leadership."

"NDC's thrust shall continue to be pioneering and developmental," declared General Manager Antonio Henson. "We

are not competing, and we shall not compete, with the private sector. We shall continue to engage only in priority projects characterized by very high risks, and having a long gestation period, and in which the private sector's interest is lacking." The procedure was strictly outlined: invest in a new field, operate until profitable, and then sell to the private sector. The company's role as a trailblazer, paving the way for the private sector to come into new territory, remained essentially unchanged after 70 years.

NDC emphasized its role as an agency "above politics and committed only to the country," and opened the floor for more companies in need of assistance, subject to the same guidelines of viability, active management, and privatization after rehabilitation.

Privatization was the order of the day, and NDC sold 15 of its 103 companies, 11 in full and four of them partially. First



*The Asean Bintulu Fertilizer Sdn. Bhd (ABF) plant in Malaysia was an ASEAN joint venture.*



on the agenda was the sale of 40% of the stocks of Interbank, acquired from the Herdis Group, to American Express Bank. NDC would fully divest itself of its shares in Interbank in 1993. The most spectacular sale, however, was that of Marina Properties Corporation, for the amount of P1.77 billion, to the Tan Yu Group of Companies, which was 60% Filipino.

The National Steel Corporation (NSC) ranked as the biggest NDC subsidiary, with total assets of P15 billion. NDC would eventually sell 87.5% of its shareholdings in NSC for P7 billion. Other than Marina Properties and Interbank, the National Marine Corporation was sold to a consortium of shipping lines for P168 million. Partial assets in Negros Occidental Copperfield Mines were sold to several groups. Also disposed of were assets of Asia Industries Inc., National Stevedoring and Lighterage Corporation, USIPHIL,

National Precision Cutting Tools, and shares of Mindanao Textile Corporation, among others, for total privatization proceeds of P14 billion. PAL, The Energy Group, Nadeco Realty Corporation, Tacoma Bay Shipping Co., PASAR, NSC, PICOP, the National Shipping Corporation, Asia Industries Inc./Beta Electric Group, and USIPHIL Inc. would likewise be privatized, bringing proceeds of sales up to P14 billion.

In 1988, in a historic move for many farmers, the company turned over 39,576 hectares of agricultural land—more than half of NDC's holdings—to the Department of Agrarian Reform (DAR) for distribution to farmer beneficiaries. These included palm oil plantations in Agusan, pineapple farmland in Bukidnon and Cotabato, and undeveloped land in Negros Oriental, Cagayan, Bohol, and Isabela. The DAR was tasked with determining which lands were potentially agricultural and qualified for the Comprehensive



*(Above) Interbank had its headquarters on Paseo de Roxas, Makati in 1984.*

*(Below) Roads were constructed throughout the 172 hectares of the Manila Marina, a bayside community development.*





Agrarian Reform Program (CARP) of the new administration. This included the Sabani Estate in Nueva Ecija, two palm oil plantations in Agusan, a rattan plantation in Bislig, Surigao, and a Basilan plantation of rubber, coffee, and coconut.

By the early '90s, PASAR was exporting 90% of the cathodes it produced. The NDC-Guthrie Plantation became Filipinas Palmoil, and along with the NSC and PICOP, was partially sold. The Semirara Coal Corporation discovered more coal reserves, and although the Manila Gas Group of Companies shut down piped gas operations in 1991, it still sold gas tanks and firefighting equipment for high-risk facilities like oil rigs. Together with some realty holding companies, MGC was also in line for privatization.

### **Works in progress**

Under development was a property for a commercial and residential complex in Sucat, with a Water Park opened

in 1995, and a Dasmariñas, Cavite housing project for NDC employees. The First Cavite Industrial Estate for light- and medium-scale industries, also in Dasmariñas, was the first industrial estate in the country, a large-equity joint venture with a Japanese proponent that promised a threefold return. Indeed, from an investment of P111.2 million, dividends received from the venture from the late 1990s up to early 2000 amounted to P355 million.

NDC also acquired 40% equity in the Manila Exposition Complex Inc., which built and operated the World Trade Center, a world-class exhibition complex that was designed to be one of the best in the region. President Fidel V. Ramos led the groundbreaking for the center on July 21, 1995.

Also that year, under President Ramos, NDC again redefined its mission with a twist, aiming for economic growth and



*Copper cathodes are loaded at the PASAR plant in 1984.*





regional development “that will advocate social relevance and environmental protection.” The latter was a concession to the times and the increasing awareness of ecological degradation. Thus, emphasis was given to “ecologically/environmentally concerned enterprises,” as well infrastructure projects. A hospital and medical waste project and a solid waste management project with the Metro Manila Development Authority which were consistent with this new spirit.

Meanwhile, as a further concession to sought-after foreign investment, NDC was to act as the government’s investment arm “in projects where the private sector, the foreign parties in particular, would want the presence of, at least, a minority government partner.” NDC would carry on with privatization, promote Asean industrial development and foreign investments, and step back once the private sector was willing and ready to take over—all with “the highest

standards of professionalism, integrity, and dedication.” By the mid-’90s, NDC was involved in about 50 companies—16 directly managed or majority owned, 14 paper companies slated for dissolution, and 20 in which the company had minority equity.

As the Philippines’ centennial approached, a significant contribution of NDC was its participation in the Philippine Centennial Exposition of 1998.

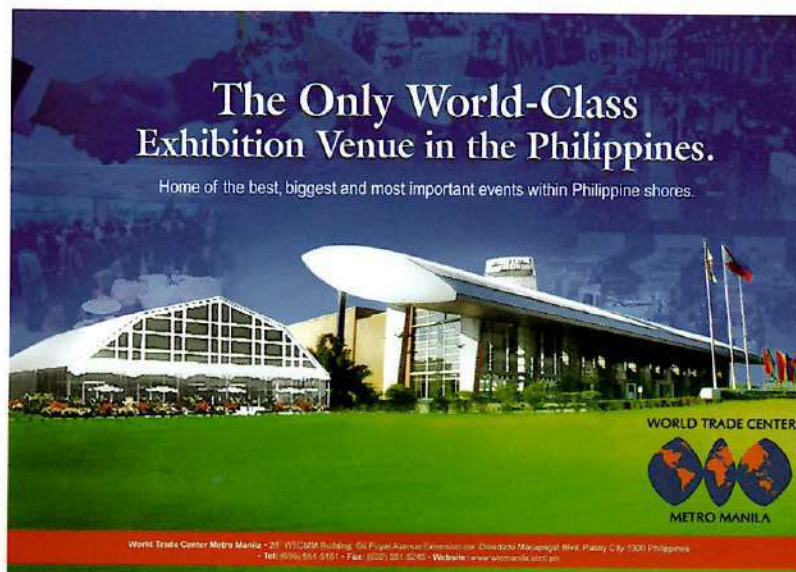
*(Above left) A bucketwheel excavator transports raw material at the Semirara coal plant.*

*(Right) The First Cavite Industrial Estate is the first industrial estate in the country.*





*A poster for the World Trade Center promotes the venue as a "world-class" exhibition hall.*



post-harvest technology and facilities, the adoption of mechanized agricultural production, and the use of refrigerated vans and terminals for vegetable and fruit products.

Agricultural technology was meant to help improve the economic condition of farmer families, who would receive help in buying machinery and equipment. Specialized transportation and distribution companies would transfer goods of the agriculture and aquaculture industries through refrigerated containers and trucking equipment.

In a joint venture with construction giant Asiakonstrukt, NDC formed the First Centennial Clark Corporation for the Expo '98 project in Pampanga, a six-hectare development that included a theater and performance venues, pavilions and display centers, and recreational facilities.

The aggressive stance of President Fidel V. Ramos' administration on privatization and industrialization would be replaced by

the next administration's major economic program, Economic Recovery Through Agricultural Productivity (ERAP).

Agriculture was a focal point of President Joseph Estrada's "*Kaunlaran Para Sa Lahat, Mahalaga Bawa't Isa*" campaign. Also on the list, and determining NDC's direction under the new administration, were agro-industry, specifically the development of agricultural estates, the development of





Chapter V

# ECONOMICS FOR A NEW CENTURY



The year 2000, the new millennium, and NDC's 81st year saw the beginnings of the company's transformation into an investment company. Although it had achieved success as a state investment arm and a privatization project implementor, it had also suffered financially from the peso slump and the toll of local and international debts. Secretary of Trade and Industry Mar Roxas recommended a financial rehabilitation program that shifted investment focus to agricultural

projects, to promote the government's urgent goals of food security and poverty alleviation. The company had to be financially stable in itself in order to encourage new investors and partners, which necessitated a clearing of its books and relief from paying debts for projects that were no longer profitable. In June 2000, SGV and Co. began a study for the financial restructuring of NDC. Its new agenda: to become the premiere investment company, to

complete financial and organizational restructuring, to mobilize NDC bonds and generate income from their sale, and to manage resources through privatization and the lease of properties.

To help NDC start with a clean slate and streamline its operations, approval of the Economic Coordinating Council was sought to transfer the company's assets and liabilities to the national government, provide provisions for

*The San Carlos Bio-energy Inc. plant operates a distillery for ethanol, an alternative bio-fuel.*





## NDC sells ₱2-B 5-yr bond at 5.875%

The National Development Co. yesterday sold at par five-year bonds with a coupon of 5.875 percent, well below the 9.6125 percent yield fetched by the maturity in the secondary market.

Proceeds from the bond sale will be used to finance public sector infrastructure and social service projects.

The bond is guaranteed by the government, and interest income on it will be tax-exempt.

Total tenders for the ₱2.0 billion issue amounted to ₱11.1 billion.

In a statement, the NDC credited the oversubscription to the tax-exempt nature of the bond as well as the provision that allows participating banks to use investments in the bonds to comply with required lending rules to the agriculture

sector. Under the Agri-Agra Law, banks are required to lend a quarter of their loanable funds to the farm sector.

"This was the lowest rate that we got from the agri-agra bonds in the whole series," said NDC General Manager Arthur Aguilar. "The government already floated five-year Agri-Agra bonds in 1999, and got a coupon of 7.875 percent."

Aguilar said the lower coupon would help the government keep the interest rates it will charge borrowers of the funds more affordable.

"This is very significant because this will translate to lower cost for the borrowers," he said.

The main beneficiaries of the bond proceeds are the Department of Agriculture and its National Irrigation Administra-

tion, said Aguilar.

The bond issue is the NDC's first of a series of debt issues for this year, as it is tasked to finance the government's efforts to stimulate economic activity by increasing spending, particularly for irrigation projects. The NDC is looking to raise a total of ₱10 billion this year and a similar amount in 2007 through bond sales.

"The loan facility is one of the strategic interventions by the government to support rice production, particularly through rehabilitation of irrigation systems, farm-to-market roads, seeds distribution, technology application, and other projects," the NDC said. "The financing would jumpstart the Department of Agriculture's rice sufficiency program targeted to be achieved by 2007." (Dow Jones)

*A news article from The Manila Bulletin after the successful auction of NDC AA Bonds on July 19, 2006.*

losses on doubtful receivables and decline in investments, convert the national government's advances into equity, and transform NDC into an investment company. A reevaluation of NDC's 53 companies was undertaken. The results revealed that among these companies, only 19 were operational; 33 were idle, and another one was in the pre-operational stage. The decision was made to retain 12 companies, completely divest NDC's shareholdings in 15 (including

the Manila Gas Group of Companies and Agusan Plantations Inc.), and dissolve 26 others to streamline operations.

Executive Order No. 83 called for "Strengthening the Enforcement of the Agri-Agra Law and Launching the NDC 'AA' Bonds for Rural Development." NDC was authorized to undertake the issuance of P50 billion worth of NDC Agri-Agra (AA) bonds to develop the agriculture and agrarian sectors. The

first tranche of P5 billion in bonds had been auctioned off on April 15, 1999, with most of the proceeds invested in Land Bank of the Philippines preferred shares to finance lending programs for farmers' cooperatives, agrarian reform beneficiaries, CARP-affected land owners, and rural financial institutions. Some 84 applicants for financial assistance in Luzon and Mindanao, in areas such as food processing and livestock, were reviewed, and 11 approved by the project evaluation committee. Soon after, Executive Order No. 530 followed, simply reinforcing the NDC's authority to issue bonds under Executive Order 83, Series of 1998, for pump-priming and poverty-alleviation efforts.

### Earning strategies

In another strategy to assure the return of the company's capital earnings, 60 A-rated large private corporations and government financial institutions with



interests in the agricultural and agrarian sectors, and with a stellar lending record, were identified as possible “big brothers” to assist smaller companies in areas such as banana and pineapple plantations, sugar, aquaculture, and others.

Among its environmental strategies, NDC also looked into used oil recycling and refining; a gypsum project for the manufacture of plywood substitutes; and what could be the first commercial

sterilization facility in the Philippines to service the pharmaceutical and food packaging industries.

In 2001, aside from divesting whenever possible, NDC reexamined its involvement in the companies it was retaining or rehabilitating for maximum investment. While it would strive to be the preferred investment partner of both private and government corporations, it would also continually seek to dispose



*The “Make IT Philippines” logo represented the government’s first investments in information technology.*



*The rehabilitation of irrigation systems nationwide was funded by P2 billion worth of NDC AA Bonds.*

of or lease any of its idle but valuable land holdings for income. Its P10.6 billion in assets were envisioned to fund projects vital to economic development, mainly in the agro-industrial, IT, and small and medium enterprise fields. Thinking pragmatically, the company now required potential subsidiaries to be more than just socially relevant and environmentally sound; they also had to be commercially driven in order to provide sustainable returns.



Plans for a Center Satellite Corporation Program for small and medium enterprises were made with Land Bank, the Small Business Guarantee and Finance Corporation, and the Guarantee Fund for Small and Medium Enterprises. Continuous linkages with "big brother" companies were facilitated in the areas of food processing, automotives, tourism, garments, and footwear. In recognition of this increasingly significant sector, NDC also zoomed in on Global Pinoy

Entrepreneurs, overseas Filipino workers (OFWs) who wanted to return home to open businesses in the provinces, and conducted initial market research on the demographics and remittance patterns of such workers.

Another investment option considered were retirement villages for overseas Filipinos and foreign nationals to beef up foreign exchange. The specialized villages would cater to niche markets and select

foreigners, providing residences as well as business opportunities in places like Cavite, Laguna, La Union, Cebu, Panay, and Palawan.

### Revenue streams

To the NDC's priority areas of agribusiness, SMEs, infrastructure, and IT were soon added two more: tourism and health services. The company now sought to identify investment areas



*The MV Natasha, Lolita, and Oliva were the ro-ro vessels leased by NMLC to the Montenegro Shipping Lines Inc.*





*The NDC-PIC evaluated the Busuanga Airport redevelopment plan to boost tourism in Palawan.*

operations were streamlined, along with similar efforts in other government organizations, with NDC serving as a model of compliance. The NDC was appointed the government's lead agency in undertaking infrastructure projects through the Philippine Infrastructure Corporation (PIC), a job for which large equity investments were needed. The NDC-PIC took care of structuring, packaging, and evaluation of these infrastructure projects.

of big strategic value in line with the government's goals, but where economic development could most likely be achieved. The chosen field of investment also had to have a critical and pioneering impact on national socio-economic development, and come with a built-in exit mechanism for easy divestment.

Although many planned projects in the '90s never saw fruition because of other government priorities, NDC

did the diligent groundwork by conducting exploratory studies and establishing linkages. Investment eventually went into other areas more consistent with the goals of the Estrada administration.

With the reelection of President Gloria Macapagal Arroyo in 2004, NDC continued to be known as a leading government owned and controlled corporation (GOCC). Manpower and

The NDC did its part in the realization of the goals of the Medium Term Development Program of 2004-2010 of the Arroyo Administration through the PIC and the Maritime Equity Corporation (MEC), later known as the NDC Maritime Leasing Corporation (NMLC). With an initial NDC investment of P29.4 million in 2005 and 2006, Alabang-Sto. Tomas Development Inc. would embark on the Daang Hari tollway project which would link Cavite and Laguna, providing an





*(Left) NDC helped LGUs construct additional classrooms, such as in this school building in Moncada, Tarlac.*

*(Below right) NDC received the First Gawad Pampublikong Korporasyon award of the Office of the Government Corporate Counsel in 2008.*

NDC's school building program set out to help local government units (LGUs) and the Department of Education augment the nationwide shortage by constructing some 1,300 additional classrooms. A total of P150 million was loaned to the LGUs of Sta. Rosa, Laguna and Moncada, Tarlac to build 219 classrooms, with the receivables eventually sold to the Land Bank of the Philippines. The project won for NDC an award as one of the First

alternative route to and from Manila and leading to savings in both time and fuel for traveling dealers. Calabarzon will benefit from this new toll road.

The company poured money into equity investments. P80 million went to subscription in capital stocks of PIC. Among the projects evaluated by the PIC were five toll roads, two airports in Busuanga and Laguindingan, a power supply aggregation project, and cold chain logistics.

Total equity of P100 million went to MEC, established as the government's partner in the promotion of the Strong Republic Nautical Highway (SRNH) to assist roll-on-roll-off (RORO) vessel operators, as domestic shipping was expected to need over 2,000 vessels in the next 10 years. An additional P285 million would follow, mainly for the purchase of three vessels later leased to Montenegro Shipping Lines Inc. to ferry passengers and vehicles.







*Gold and copper ore, found in rocks like this, were mined by the PMDC.*

Gawad Pampublikong Korporasyon of the Office of the Government Corporate Counsel in 2008.

### **Crops, medicines, and fuel**

A 1995 Supreme Court ruling had opened the mining sector to foreign investors. In accordance with the wishes of President Arroyo, mining efforts were revived through the Natural Resources Mining Development Corporation (what

would become the Philippine Mining Development Corporation), with NDC infusing a total amount of P75 million for gold and possible copper exploration in Mount Diwalwal, Monkayo, Isabela.

By the year 2006, NDC had effected considerable progress in three major fields in particular—alternative and renewable energy sources, the nautical highway, and the accessibility of affordable medicines, in pump-priming the economy through

the issuance of NDC AA bonds—in addition to tripling equity investments and doubling dividend income.

In the field of renewable energy and eventual energy independence, the flagship project was San Carlos Bio-energy Inc., which received a total equity of P211.25 million in partnership with Bronzeoak Philippines, for the development, construction, and operation of an integrated ethanol distillery and

*Mining efforts were revived during the Arroyo administration, and mines were opened in Mt. Diwalwal, Monkayo, Isabela.*





power co-generation plant, the country's first. With the passage of the Bio Fuels Act, ethanol, a naturally produced alternative fuel that was previously imported, had become a required additive in fuels, thus providing a ready market for the substance. The plant was projected to produce 120,000 liters of ethanol a day, 10% of the requirement specified by the Bio Fuel Act, generating power by using only sugarcane as feedstock. As another possible option, NDC studied the planting

of *Jathropa curcas* or *tuba-tuba*, a non-edible oil convertible into biodiesel, as an alternative fuel source.

Although the second tranche had not been released in 2002 because of fund maturity matching problems, the third tranche of the NDC Agri-Agra bonds was issued in 2006, with proceeds used to fund projects of GOCCs for economic growth and poverty alleviation. The P2 billion worth of AA bonds issued on July 19 went to the National Irrigation Administration (NIA) to improve rice production through better irrigation systems, improved farm-to-market roads, systematic seed distribution, and new technology. The P2 billion was provided to the NIA for the repair of communal irrigation systems, just as rice supply became scarce. NDC funding helped restore over 55,000 hectares of agricultural land and build 320.76 km of farm-to-market roads, with the long-term goal of converting the agricultural sector to a resource-based industry.



*PITC Pharma accredited Botika ng Bayan outlets to sell high-quality, low-cost medicines.*



*Plantations in Camarines Sur (top) explore the potential of Jathropa as an alternative fuel source.*



*First International Document Masters Inc. in Bacolod City was NDC's first investment in a medical transcription company.*



To provide essential services to more people, NDC also funded PITC Pharma Inc. with an initial P15 million in 2005, followed by a P185 million loan the following year. Through Executive Order 422, PITC Pharma was mandated to accredit outlets of Botika ng Bayan, privately owned drugstores where people could purchase high quality, low-cost medicines. The goal was to reduce costs of drugs in half, expand the range of drugs available to the public, expand the

network of Botika ng Bayan outlets, and conduct an advocacy and communication campaign for greater public awareness. The target of PITC Pharma, which was authorized to import the drugs if necessary, was to open 3,000 Botika ng Bayan outlets by 2010.

For its maiden venture in the new field of outsourcing, NDC invested P4 million and granted a loan of P13 million to First International Document Masters Inc.

(FIDMI), a medical transcription company opened in Bacolod City in 2006 to provide medical transcription services globally. An initial 20 people were trained to prepare the manpower for the venture, which operates 24 hours a day, 365 days a year. FIDMI pioneered the business process outsourcing activities in the locality.





Chapter VI

# BUSINESS AS USUAL



In 2008, NDC racked up several accomplishments, some to embark on new ventures, others to complete project cycles that had been initiated in the past. Coming full circle from the establishment of the Marine Equity Corporation (MEC) for the betterment of Philippine shipping, and in a perfect example of an investment that yielded excellent returns, all of NDC's shares in MEC, now known as the NDC-Maritime Leasing Corporation (NMLC), were sold for P100 million to the Development Bank of the Philippines (DBP). NMLC had acquired three vessels in the last three years and leased them to Montenegro Shipping Lines to speed up inter-island movement of people and goods along a truly smooth Strong Republic National Highway, a key component of the government's Medium Term Development Plan.

NDC's additional loan of P1 billion to the National Irrigation Administration will partly finance the rehabilitation of



*(Left) DBP President Reynaldo David and NDC Acting General Manager Ma. Lourdes F. Rebueno close the sale of the NMLC to the DBP.*

*(Below) The NDC office is currently housed in this building on Tordesillas St. in Salcedo Village, Makati.*

33,000 hectares of damaged irrigation facilities nationwide, and the repair and upgrade of working systems providing life-giving water to another 20,000 hectares of farmland—a tremendous help to the livelihood of several farming communities relying on the land for subsistence and survival.

In an expansion of the earlier project, in 2008, NDC infused another P8 million into Alabang-Sto. Tomas Development



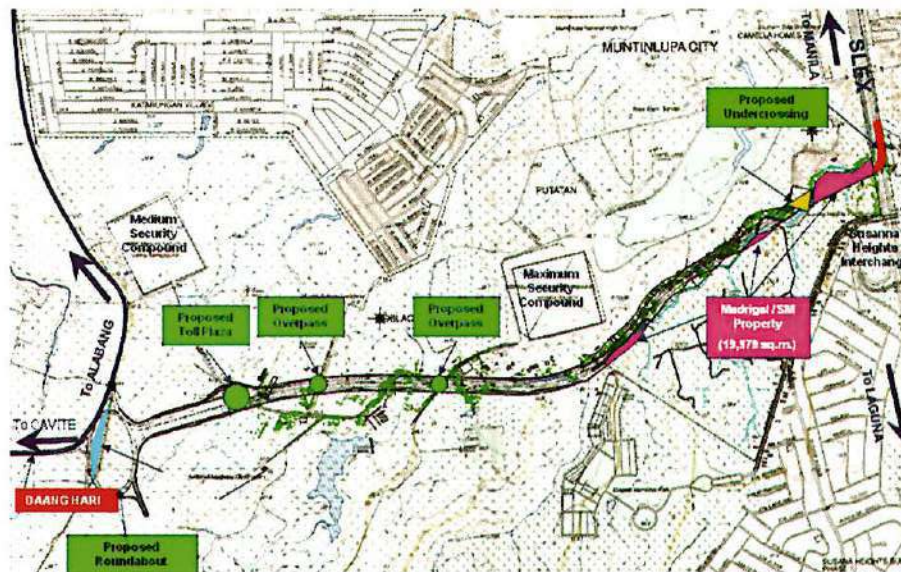


Inc.'s ongoing construction to add a four-lane, 4-kilometer toll road linking Daang Hari, Cavite to the South Luzon Expressway (SLEX) in Muntinlupa. The undertaking would help decongest traffic in three busy cities—Cavite, Las Piñas, and Muntinlupa—while contributing to the development of the New Bilibid Prison, which the road will pass through. Approval for the P1.35 billion project was secured from the DPWH in October 2008.

Among NDC's other active projects in the last few years, the San Carlos Bio-energy Inc. ethanol plant remained productive in the wake of highly volatile oil prices. The Philippine Mining Development Corporation was transferred from the DENR to the Office of the President (OP), as it was expected to contribute 1.75% of the GDP in 2007. Funds continued to be generated for NDC through the sale of assets and bonds, revenue from leases, collected loans, and dividends.



*NDC support for NIA irrigation projects will help rehabilitate thousands of hectares of farmland.*



*The Daang Hari-SLEX link project is a project extension that will decongest traffic in three cities south of Manila.*



*The San Carlos  
Bio-energy Inc. distillery  
is projected to produce  
120,000 liters of ethanol  
a day.*



As it approaches its 90th year, NDC continues to function as an efficient GOCC and one of the Philippine government's most enduring and relevant support institutions, with its influence extending beyond its own boundaries. The company has been posting a net income from 2006 to 2008, and for the first time since its reorganization in 1976, also remitted P50 million in much-needed cash dividends to the national government. In 2007, NDC posted a record net income of P403 million.

For almost a century, NDC has led by example, changing with the times, but never veering very far from its mission. Today, that mission includes finding and reaching out to diversified projects for optimum financial, economic, and social benefits. It means working well with both the public and private sector, often acting as patron, intermediary, steward, custodian, peacemaker, and guide. It has been, and continues to be, an excellent working environment for competent professionals

and economic innovators. And as the never-ending pursuit of sustainable economic development moves farther into the 21st century, the National Development Company remains constant, relevant, and efficient, playing its key role that is central, yet always subservient to, the bigger picture that is the nation's progress.



# Corporate Guiding Principles

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## VISION

The premier investment vehicle of the Government leading the nation towards sustainable socio-economic development.

## MISSION

NDC shall invest in diversified projects that create maximum financial, economic and social impact.

NDC shall encourage and promote partnerships with private and public sectors.

NDC shall engage competent and qualified professionals and at all times, be the model of excellence in serving the interests of its stakeholders.

## PHILOSOPHY

We are committed to fulfill NDC's vital role in the over-all economic development of the country.

We advocate excellence, teamwork, and accountability to advance the interests of our stakeholders.

We will invest in our human capital as it is our most valuable resource.