



**PHILIPPINE
COMPETITION
COMMISSION**

Ensuring businesses compete and consumers benefit



2016 ANNUAL REPORT
SCALING NEW HEIGHTS

About the theme: Scaling New Heights

Before the Philippine Competition Act (PCA) was enacted in 2015, competition-related policies in the country were widely fragmented. In the absence of a central competition authority, government regulators and agencies were mandated to enforce numerous competition-related laws in their respective sectors or industries. Despite the considerable number and varied nature of competition-related laws in the country, anti-competitive behavior in the market persisted. With the PCA, and the subsequent establishment of the Philippine Competition Commission (PCC), market competition will be taken to new heights. As an independent and quasi-judicial body, PCC sets its sights not only on enforcing the PCA but also on promoting and instilling a culture of competition through advocacy, capacity building, and research. PCC envisions to foster a market economy where businesses compete and consumers benefit.

Cover photo courtesy of the Bases Conversion and Development Authority

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PCC Annual Report 2016: Scaling New Heights

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MESSAGE FROM THE CHAIRMAN



The establishment of the Philippine Competition Commission (PCC or the Commission), through Republic Act (R.A.) No. 10667 or the Philippine Competition Act (PCA), is a long-awaited milestone in the country's trade and commerce environment. In the past, authorities coped with the increasingly globalized trade environment by issuing different laws and regulations which were implemented by government offices operating in silos, disjointedly from one another. Business entities then – especially small and medium enterprises (SMEs) – predictably suffered, given the limited information and resources at their disposal. With the passage of the PCA, we now have a premier, comprehensive directive on market competition, as well as the proper independent authority charged to enforce it.

The Commission – composed of tireless, accomplished, and devoted men and women – hit the ground running upon its establishment in February 2016. Policy changes were immediately effected to foster fair competition among all market players and to advance consumer welfare. It is with great pride, therefore, that I present our 2016 Annual Report with the theme *Scaling New Heights* – referring to both the Commission's actual accomplishments in its infant year, and its future plans, in regard to implementing sound and just competition policies toward a more vibrant and inclusive Philippine economy.

Allow me to take stock of what we have accomplished in PCC's inaugural year:

The PCC has formulated a total of seven (7) issuances during this year, most important of which was the Implementing Rules and Regulations (IRR) of R.A. 10667. The IRR was completed shortly after the establishment of the Commission and took effect on June 18, 2016. It allows for an effective implementation of the law. Other issuances by the PCC include the: (1) Guidelines on Mergers and Acquisitions (M&As) issued, executed, and implemented after the effectivity of R.A. 10667 and before the effectivity of the aforementioned IRR; (2) Guidelines on M&As effected through the Philippine Stock Exchange (PSE), which were executed and implemented after the effectivity of R.A. 10667 and before the effectivity of the PCA IRR; (3) Guidelines on filing fees for merger notification and review; (4) Clarificatory notes on definitive agreements and binding preliminary agreements in M&As; (5) Clarificatory notes on coverage of compulsory notification; and (6) instructions on the Notification Form to guide firms filing M&A notifications. Subsequent issuances pertained to the guidelines and clarificatory notes regarding M&As. We have also received 77 M&A notifications, 67 of which were resolved by

the Commission by the end of the year. The PCC also received and acted upon six (6) queries or complaints on competition-related concerns.

In coordination with the National Economic and Development Authority, the PCC has also made headway in shaping the country's competition policy landscape with the conduct of the National Competition Policy Review. The preliminary results of this Review served as the basis for crafting the Chapter on Competition in the Philippine Development Plan 2017-2022, which is a first in the country's socioeconomic planning history. The Review will also help us identify anti-competitive practices across major sectors of the economy, including those rooted in various government rules, policies, and measures.

Corresponding to its mandate to issue advisory opinions and guidelines on competition matters and to advocate pro-competition policies, the PCC filed before the Supreme Court of the Philippines its first amicus brief on the case between the Manila Water Company, Inc. and the Philippine Contractors Accreditation Board. The Commission is of the opinion that the nationality requirement currently imposed on the country's construction industry puts a substantial barrier to the entry of foreign contractors. This creates an uneven playing field between local and foreign contractors which, in turn, hampers our economic competitiveness.

In light of the increasing tasks coming our way and in maintaining the high level of service we provide (as evidenced by the zero backlog on all our merger reviews), the Commission has filled 86 out of the 200 plantilla positions allocated to it, as of the end of 2016. The recruitment process is ongoing as we envision to have a full workforce by the third quarter of 2017.

The PCC, in partnership with relevant government agencies and various international organizations, also embarked on several capacity-building activities. In the global arena, the PCC participated in and contributed to twenty (20) international workshops and seminars. As much as we've learned from these, I'd like to think our counterparts around the globe also picked up valuable insight from the Philippine experience. Locally, the Commission organized eight (8) capacity-building activities for both its officials and staff, as well as external stakeholders.

Promoting sound and fair competition in Philippine markets is essentially uncharted territory. However,

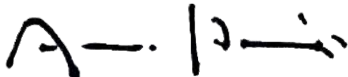
with the solid support of our partners from the private sector, national government agencies, sector regulators, academe, media, and the public at large, our information and education campaign had been fruitful. In 2016 alone, 24 advocacy activities were organized by the Commission including a seminar series on competition law and policy, training on cartel investigation, and consultations on competitive neutrality, among others. These events were accompanied by the issuance of press releases, and production of multimedia products, which further helped in mainstreaming the PCA and the role of PCC.

While we are proud of these victories and achievements, we recognize that several challenges still need to be hurdled moving forward.

The year 2017 is a vital year for the Commission as it coincides with the end of the two-year transition period specified in the law. The PCC aims to increase interest in competition across all stakeholders and the public at large through the publication of various research papers, studies, reports, and other information, education, and communication (IEC) materials.

There is a pressing need to distill learnings gleaned from our counterparts in countries where competition policies have long been instituted and consolidated decades ago, while also adapting them to our reality and context as a developing nation. Of equal importance is to have stronger partnerships with key sector regulators to ensure policy coherence whilst promoting collaboration, coordination, and information-sharing.

It is indeed an interesting and positive time for competition in the Philippines, and we are equally honored and humbled to be at its forefront. With the help of all market players and stakeholders, we look forward to scaling even greater heights in the future for the benefit of all Filipinos.



ARSENIO M. BALISACAN, PhD
Chairman

An aerial night view of a city skyline, featuring numerous illuminated skyscrapers and buildings. The sky is a deep blue, and the city lights create a vibrant, glowing effect. The text is overlaid on the upper portion of the image.

THE PHILIPPINE COMPETITION ACT AND THE PHILIPPINE COMPETITION COMMISSION

“

We intend to exercise our enforcement powers in a way that is envisioned under the law, which is a muscular agency, not a paper-pushing, rubber stamping agency.

”

Atty. El Cid R. Butuyan
Commissioner



THE LONG ROAD TO A COMPREHENSIVE LEGISLATION ON COMPETITION

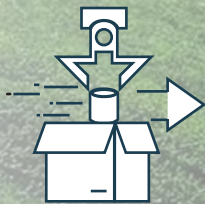
THE PHILIPPINE COMPETITION ACT (PCA) BECAME EFFECTIVE IN AUGUST 2015. THE LAW REFLECTS THE BELIEF THAT COMPETITION:



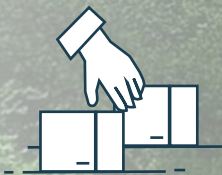
PROMOTES ENTREPRENEURIAL SPIRIT



FACILITATES TECHNOLOGY DEVELOPMENT AND TRANSFER



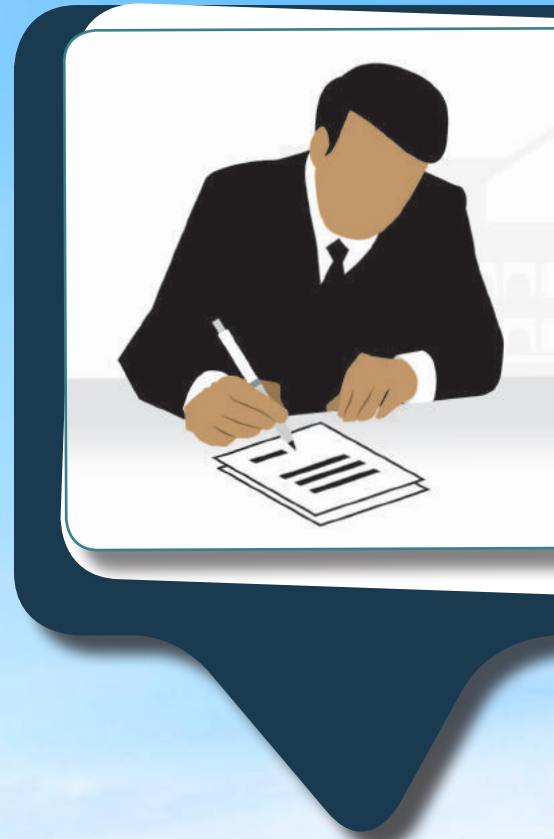
ENHANCES RESOURCE PRODUCTIVITY



ALLOWS CONSUMERS TO EXERCISE THEIR RIGHT OF CHOICE OVER GOODS AND SERVICES

For a long time, competition-related policies in the Philippines were widely fragmented. The 1987 Philippine Constitution and numerous legislations (e.g. Corporation Code, Price Act, Electric Power Industry Reform Act) deal with the prohibition and regulation of monopolies, combinations in restraint of trade, and other unfair competition practices. A comprehensive competition bill was first proposed in the 8th Congress (1987-1992), but it was not passed then and was repeatedly filed in subsequent Congresses.

In recent years, the urgency of passing a competition bill was highlighted, at least in part, by a growing consensus that the supposed benefits from the Philippine economy's strong performance take too long to redound to the ordinary Filipino, more so to the poorest of the population. The enactment of a unified competition/ antitrust law was targeted under the 2011-2016 Philippine Development Plan. In an effort to strengthen the enforcement of existing antitrust laws and policies while a comprehensive competition bill was under deliberation in Congress, the government created in 2011 the Office for Competition (OFC) under the Department of Justice (DOJ).



PHILIPPINES



BRUNEI



MYANMAR



COMPETITION BENEFITS THE POOR

Markets with enough competition directly benefit the poor. First, competitive markets offer a wider variety of goods and services at the lowest possible prices. This means that the poor, with their limited income, have expanded choices and can afford to buy more with the same amount of money. Second, competition protects small business owners, including farmers and other small-scale entrepreneurs, from unfair and predatory business practices that bigger businesses might implement.



In 2015, the Philippine Competition Act was finally enacted by the 16th Congress – just in time to meet the Association of Southeast Asian Nations (ASEAN) member states' commitment to introduce national competition policy and law by 2015.

The PCA created the Philippine Competition Commission (PCC) to enforce and implement competition law and policy. Meanwhile, the Office for Competition (OFC) continues its operations within the Department of Justice (DOJ) to enforce the criminal statutes of the PCA.

COMPETITION LAW AROUND THE WORLD:

As of 2016, there are already 129 jurisdictions around the world with antitrust or consumer protection laws.

ENACTMENT OF COMPETITION LAW IN ASEAN:

Indonesia and Thailand were the first ASEAN member states to enact a competition law in 1999. Singapore and Vietnam followed in 2004, and Malaysia in 2010. The Philippines, along with Brunei, Myanmar, and Lao PDR were the last ones to follow suit. As of 2016, only Cambodia has yet to implement a competition law in the region.

Source: Federal Trade Commission, Competition and Consumer Protection Authorities Worldwide; and ASEAN, Competition Policy in ASEAN



Competition keeps the economy working well for everyone.

THE PHILIPPINE COMPETITION COMMISSION

Formally established on February 1, 2016, the PCC is an independent and quasi-judicial body mandated to implement the national competition policy and enforce Republic Act No. 10667 or the Philippine Competition Act (PCA), which serves as the primary competition law in the Philippines for promoting and protecting competitive markets.

PCC institutes a regulatory environment for market competition to:

Protect consumers by giving them access to wider choice over goods and services at lower prices, and;

Promote competitive businesses, and encourage market players to be more efficient and innovative.



The PCC aims to be a world-class authority in promoting fair market competition to help achieve a vibrant and inclusive economy, and advance consumer welfare.

Mission:

The PCC shall prohibit anti-competitive agreements, abuses of dominant position, and anti-competitive mergers and acquisitions. Sound market regulation will help foster business innovation, increase global competitiveness, and expand consumer choices, to improve public welfare.

The PCC has the broad mandate of having original and primary jurisdiction over the enforcement and implementation of the provisions of the PCA and its Implementing Rules and Regulations (IRR). These mandates include the following:



Review of mergers and acquisitions



Investigation and rendering of decisions on antitrust cases



Imposition of sanctions and penalties



Conduct of economic and legal research on competition-related matters



Issuance of advisory opinions



Advocating pro-competition culture in policy and business



Monitoring the environment for competition-related interventions



Monitoring and analysis of the practice of competition in markets

THE CHAIRMAN AND THE COMMISSIONERS

The Commission is composed of a Chairperson and four (4) Commissioners. As a provision in the PCA, the Chairperson and the Commissioners must have distinguished themselves professionally in public, civic or academic service in any of the following fields: economics, law, finance, commerce, or engineering. They must have been in the active practice of their professions for at least ten (10) years, and must not have been candidates for any elective national or local office in the immediately preceding elections, whether regular or special: Provided, that at least one (1) shall be a member of the Philippine Bar with at least ten (10) years of experience in the active practice of law, and at least one (1) shall be an economist. The Chairperson and the Commissioners who shall have the rank equivalent of Cabinet secretary and undersecretary, respectively, shall be appointed by the President. The term of office of the Chairperson and Commissioners shall be seven (7) years, without reappointment.



**ATTY. AMABELLE C.
ASUNCION**

Commissioner Amabelle C. Asuncion has extensive experience in both commercial and corporate practice in the private and public sector. She has handled different industries, as well as dealt with various regulatory compliance and policy reforms.

She has served in various capacities, including as advocacy adviser, director for legal and regulatory affairs, legislative officer, adjudication chief, and professor.

She obtained her Bachelor of Arts in English Studies (magna cum laude) and subsequently her law degree from the University of the Philippines. She received her Master of Laws with distinction from Georgetown University Law Center in Washington. She is admitted to the New York and Philippine bars.

Note: Atty. Asuncion was appointed as PCC Commissioner on January 16, 2017.



**ATTY. JOHANNES BENJAMIN R.
BERNABE**

Commissioner Johannes Benjamin R. Bernabe served as a Senior Fellow at the Geneva-based International Centre for Trade and Sustainable Development, where he contributed in

formulating and analyzing policy reforms to the international trade system. His breadth of experience in trade regulation and economic law included a seat as the Commercial Attaché and Trade Negotiator of the Philippines to the United Nations and World Trade Organization from 1999 to 2005. He obtained his Bachelor of Science in Economics (cum laude) and subsequently a law degree from the University of the Philippines. He took up further studies in law at the University of London and the International Development Law Institute in Sydney, Australia.



DR. ARSENIO M. BALISACAN

Chairman Arsenio M. Balisacan is an economist with extensive high-level policymaking practice and a well-recognized expert in Asia on economic development, poverty, inequality, and political economy of policy reforms. He served as Socioeconomic Planning Secretary in the Cabinet of former President Benigno S. Aquino III and, concurrently, Director-General of the National Economic and Development Authority (NEDA). He was also Dean and Professor at the University of the Philippines (UP) School of Economics, Undersecretary for Policy and Planning of the Department of Agriculture, Director-Chief Executive of the Southeast Asian Regional Centre for Graduate Study and Research in Agriculture (SEARCA), and Economist at the World Bank (Washington, D.C.). He is a member (Academician) of the National Academy of Science and Technology. He holds a PhD in Economics from the University of Hawaii and Master of Science in Agricultural Economics from the University of the Philippines Los Baños.



ATTY. EL CID R. BUTUYAN

Commissioner El Cid R. Butuyan served as the Head of Investigations and Litigation for the World Bank Integrity Vice-Presidency, where he conducted audits, fact-finding investigations, and litigation on cases relating to anti-competitive practices, corruption, collusion, cartel behavior, coercion, and fraud by multinational and local firms. He is a Faculty Member at Harvard Law School where he teaches a course on Transnational Corruption. He also sits as Co-Chair of the ABA (American Bar Association) International Committee-Criminal Justice Section. He is a Bachelor of Law graduate and a Dean's Medal for Academic Excellence awardee at the University of the Philippines. He received his Masters of Laws from Harvard Law School.



DR. STELLA LUZ A. QUIMBO

Commissioner Stella Luz A. Quimbo is an academician who served as a Professor and Department Chair of the University of the Philippines School of Economics prior to her appointment at the PCC. She has an extensive research portfolio in the field of health economics, industrial organization, microeconomics, education, poverty, and public policy and regulation. She held the Prince Claus Professorial Chair at Erasmus University of Rotterdam from 2011-2013 as well as an Outstanding Young Scientist in 2009. She obtained her Bachelor of Science in Economics (summa cum laude), MA in Economics, and PhD in Economics from University of the Philippines in 1991, 1993, and 2000, respectively.



ATTY. MENARDO I. GUEVARRA

Commissioner Menardo I. Guevarra is an accredited arbitrator of the Philippine Chamber of Commerce and Industry and a faculty member of the Ateneo School of Law. He was also in private litigation practice for nearly 30 years. He also served as the Deputy Executive Secretary for Legal Affairs under the Aquino Administration. Commissioner Guevarra obtained his Bachelor of Arts in Political Science (magna cum laude) and Law degrees from the Ateneo de Manila University. He took up his graduate studies in Economics at the University of the Philippines.

Note: Atty. Guevarra was appointed Senior Deputy Executive Secretary on June 30, 2016, vacating his office as Commissioner.

INTRODUCING A CULTURE OF COMPETITION





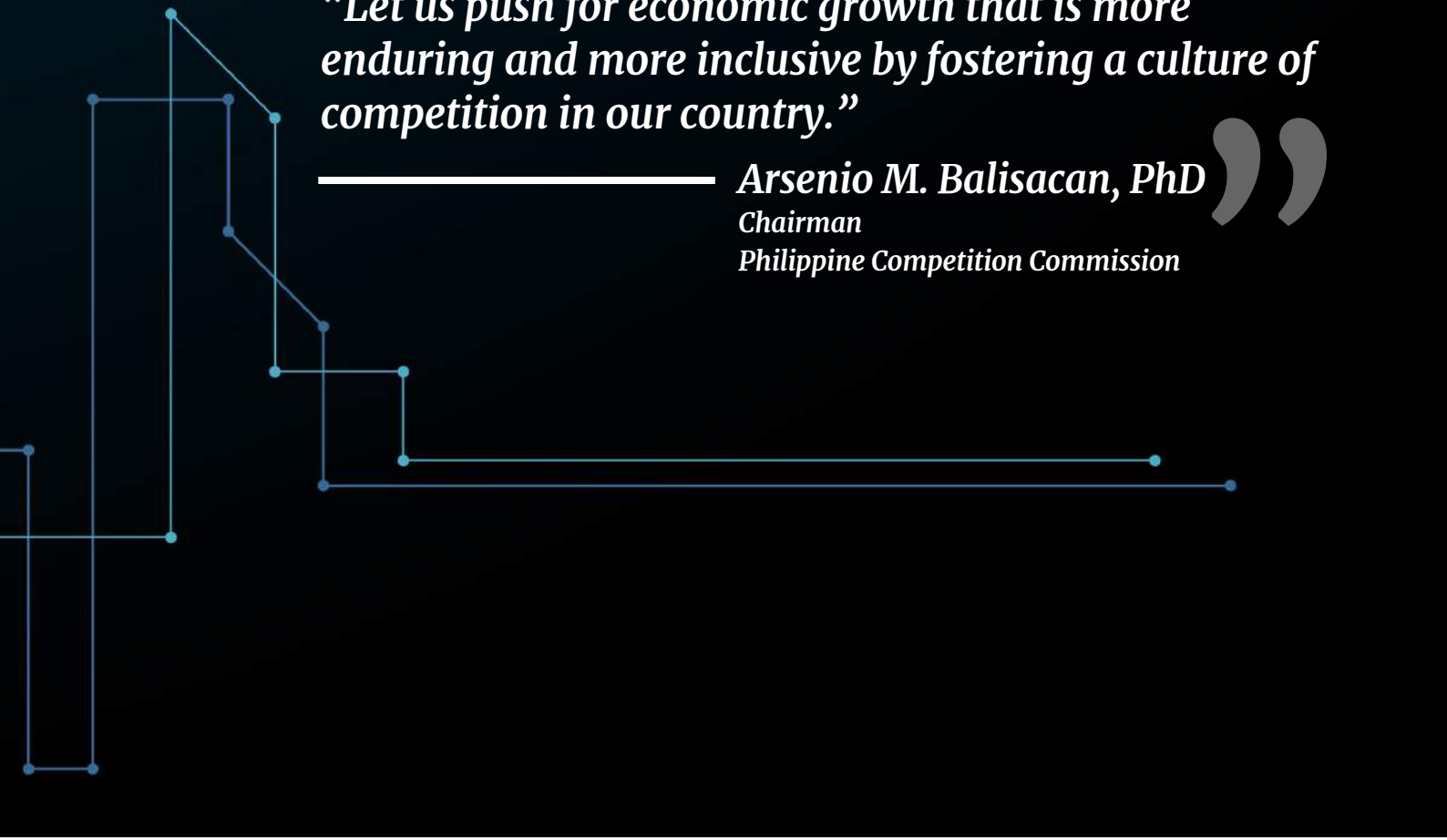
“

“Let us push for economic growth that is more enduring and more inclusive by fostering a culture of competition in our country.”

————— **Arsenio M. Balisacan, PhD**”

Chairman

Philippine Competition Commission



1 REVIEW OF MERGERS AND ACQUISITIONS

The PCA mandates the PCC to review proposed mergers and acquisitions and prohibit transactions that will substantially prevent, restrict, or lessen competition in the relevant market.

To rapidly address uncertainty created by the law's passage and prior to the finalization of the IRR, the PCC, in the interim, issued guidelines on the requirements and procedures for notifications of mergers and acquisitions (M&A). This allowed the PCC to review M&As even while the IRR was still being crafted.

On February 12 and 16, 2016, Memoranda Circular 1 and 2 were issued, respectively, providing transitory rules and guidelines on:

- M&As that were, or are to be, executed or otherwise implemented after the effectivity of the law but before the effectivity of the IRR; and
- Transactions to be effected through the Philippine Stock Exchange (PSE).

These transitory rules and guidelines were superseded by the IRR, which took effect on June 18, 2016. Under

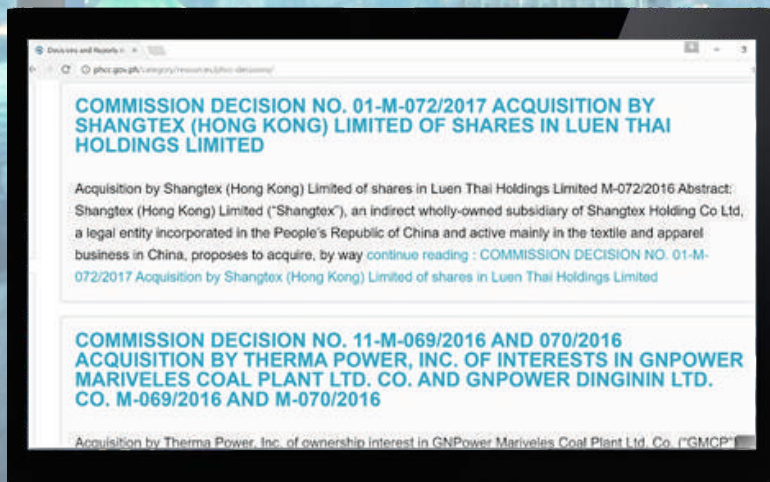
the IRR, the review of notifiable M&As shall be composed of three stages, namely: (i) determination of sufficiency within the period of 15 days, (ii) Phase 1 review within a period of 30 days, and (ii) Phase 2 review within a period of 60 days.

The PCC also issued clarificatory notes on (1) Definitive Agreements and Binding Preliminary Agreements in M&As, and (2) Coverage of Compulsory Notification; Notification Form and instructions to Form; and Memorandum Circular 3 on filing fees.

PRE-NOTIFICATION CONSULTATION

The IRR allows parties to seek non-binding advice on the specific information that must be included in the notification through pre-notification consultation meetings with the Mergers and Acquisitions Office (MAO). From June 18, 2016, which was the date the IRR became effective, until December 31, 2016, MAO has had 30 pre-notification consultation meetings with parties to proposed M&As.

The PCC posts on its website its decisions on M&A transactions for transparency purposes.



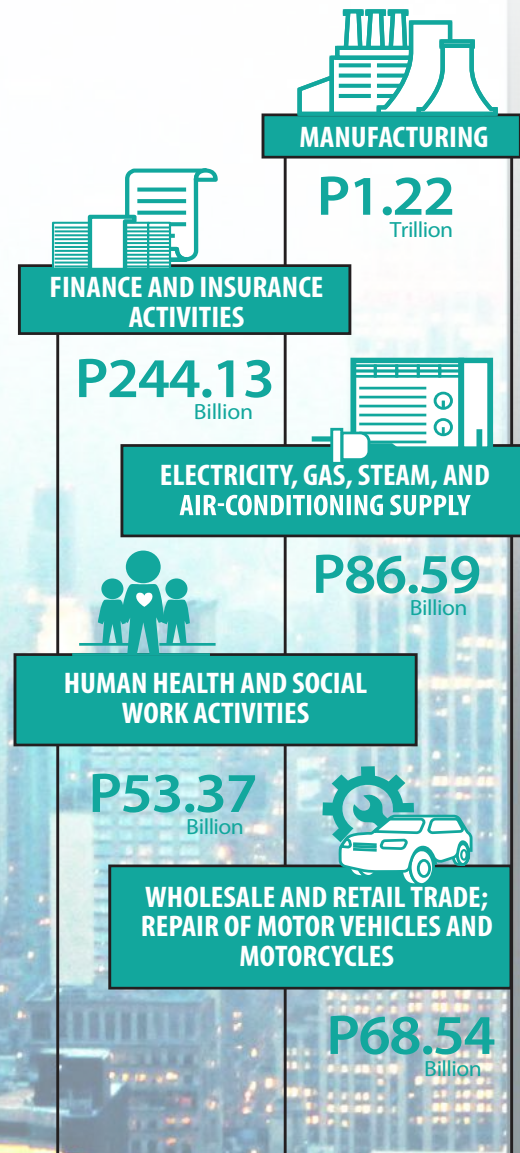
IN 2016, THE MERGERS AND ACQUISITIONS OFFICE (MAO) RECEIVED NOTIFICATION FORMS THAT PERTAIN TO



MERGERS AND ACQUISITIONS.

TOP FIVE S

Based on Transaction Value



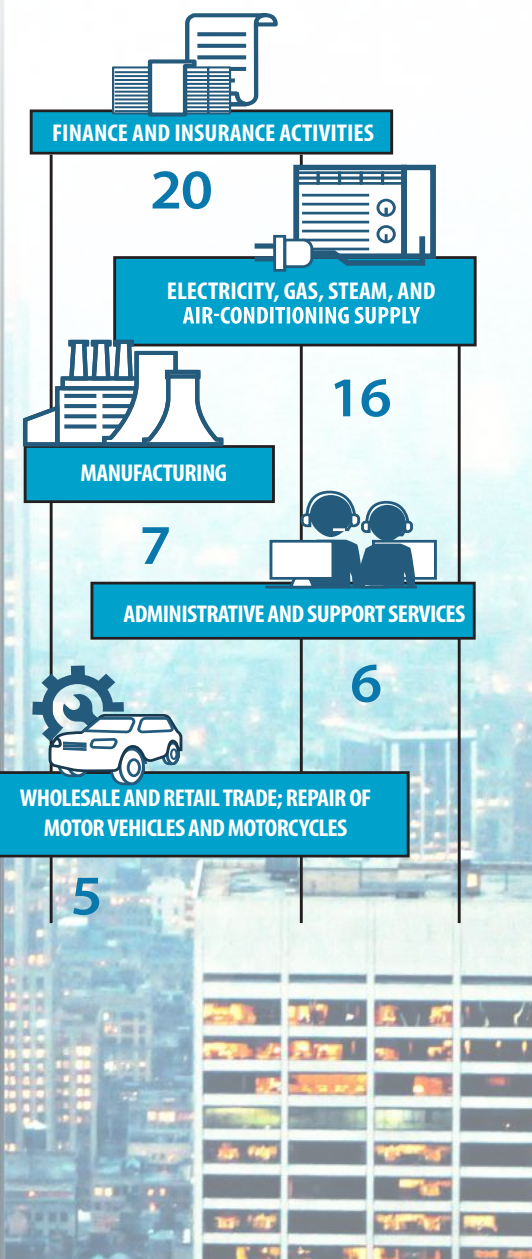
LIST OF TRANSACTIONS REVIEWED BY THE PCC IN 2016:

BY THE END OF 2016,
67 OF THESE HAVE
BEEN REVIEWED BY
MAO.



SECTORS

Based on Number of Notifications



- Invivo NSA Philippines Inc.'s acquisition of Popular Feedmill Corporation
- Charter Ping An Insurance Corporation's acquisition of Philippine AXA Life Insurance Corporation
- Grupo Emperador Spain, S.A.'s acquisition of Beam Spain, S.L.; Beam Suntory UK Limited Holdings, Inc.; HFS Corporation; Morrison Corporation; San Mateo Bros., Inc.; Tangiers Resources Corp.
- Del Monte Fresh Fruit Far East, B.V.'s acquisition of Anflo Management and Investment Corporation
- Sumitomo Mitsui Banking Corporation's acquisition of PT Summit Oto Finance; PT Oto Multiartha
- Ayala Land, Inc.'s acquisition of Cebu Holdings, Inc.
- Pacific Mezz Investco S.à r.l.'s acquisition of OCM Luxembourg EPF III Railpool Topco S.à r.l.
- Posana Food Brands, Inc.'s acquisition of International Family Food Services, Inc.; DBE Project, Inc.; Bakemasters, Inc.
- Vista Outdoor, Inc.'s acquisition of BRG Sports, Inc.
- The Bank of Tokyo-Mitsubishi UFJ, Ltd.'s acquisition of Security Bank Corporation
- Allianz SE's acquisition of PNB Life Insurance, Inc.
- Ageas Insurance International, N.V.'s acquisition of East West Ageas Life Insurance Corporation
- Total Philippines Corporation; Filoil Energy Corporation's (formation of a joint venture corporation)
- Yokogawa Electric Corporation's acquisition of KBC Advanced Technologies plc
- Alibaba Group Services Limited's acquisition of Lazada Group S.A.
- MBK Healthcare Network Ltd.; Pulau Selangan Investments Limited (PSIL)'s acquisition of DaVita Care Pte. Ltd.
- Jollibee Foods Corporation's acquisition of Mang Inasal Philippines, Inc.
- P. A. Alvarez Properties and Development Corporation's acquisition of P. A. Alvarez Buildres, Inc.
- Anderson Investments Pte Ltd.'s acquisition of Migo
- Meralco Powergen Corporation; Semirara Mining and Power Corporation's acquisition of St. Raphael Power Generation Corporation
- Nestlé S.A.; PAI Partners S.A.S.'s acquisition of R&R Ice Cream Plc
- Woori Bank's acquisition of Wealth Development Bank Corporation
- FC Feeture B.V.'s acquisition of CYS Nederland B.V.
- MetroPac Movers, Inc.'s acquisition of Basic Logistics Corporation; A1Move Logistics, Inc.; Phillflash Logistics Inc.; BasicLog Trade and Marketing Enterprises
- South Star Drug, Inc.'s acquisition of TGP Pharma, Inc.
- Far Eastern University, Inc.'s acquisition of Roosevelt College Inc.
- Federal Express Corporation's acquisition of TNT Express N.V.
- Cargill Philippines Inc.; Jollibee Foods Corporation's acquisition of Cargill Joy Poultry Meats Production, Inc.
- Eco-System Technologies, Inc.; Metropac Water Investments Corporation's acquisition of Eco-System Technologies International, Inc.
- GT Capital Holdings, Inc.'s acquisition of Global Business Power Corporation
- Beacon PowerGen Holdings, Inc.'s acquisition of Global Business Power Corporation
- GT Capital Holdings Incorporated's acquisition of Metro Pacific Investments Corporation
- GT Capital Holdings, Inc.'s acquisition of Metro Pacific Holdings, Inc.
- Asia Brewery, Incorporated; Heineken International B.V.'s acquisition of Brownco Brew Incorporated
- Metro Pacific Investments Corporation's acquisition of Beacon Electric Asset Holdings, Inc.
- Tiancheng International Investment Limited's acquisition of NAGA UK TopCo Limited
- Riel B.V.'s acquisition of TELUS International (Cda) Inc.
- Port Capital South East Asia, Inc.'s acquisition of Harbour Centre Port Terminal, Inc.
- Convergys Philippines, Inc.'s acquisition of Convergys Philippines Services Corporation; Convergys Services Philippines, Inc.
- East West Banking Corporation's acquisition of Standard Chartered Bank Philippines Branch
- Sanofi's acquisition of Boehringer Ingelheim International GmbH
- Ritemed Philippines, Inc.'s acquisition of Pharex Health Corporation
- TH APAC Holdings Inc.; Tim Hortons International S.A.'s acquisition of (Joint Venture Corporation)
- Shang Properties, Inc. (SPI); A. Soriano Corporation's acquisition of KSA Realty Corporation
- Sunjin Philippines Corporation's acquisition of Sunjin Feeds Corporation
- TPG Growth III SF Pte. Ltd.'s acquisition of One Network Bank, Inc.
- Meralco Powergen Corporation (MGEN); Zygnet Prime Holdings Inc.'s acquisition of Mariveles Power Generation Corporation
- CPPIB Monroe Canada Inc.'s acquisition of Glencore Agri Limited
- SM Development Corporation; Federal Land, Inc.'s acquisition of (Joint Venture Corporation)
- BDO Capital & Investment Corporation's acquisition of BDO Elite Savings Bank, Inc.; Banco De Oro Savings Bank, Inc.
- Beijing Jianguang Asset Management Co., Ltd. (JAC Capital); Wise Road Capital Ltd.'s acquisition of NXP B.V.
- Nissan Motor Co., Ltd.'s acquisition of Mitsubishi Motors Corporation
- Markham Resources Corporation's acquisition of Lake Mainit Hydro Holdings Corporation
- NTT Data International L.L.C.'s acquisition of Dell Inc.
- Dow; DuPont's acquisition of DowDuPont
- Bank of the Philippine Islands - Asset Management and Trust Group; M.E. Capital Corporation's acquisition of Tesoro Alegre, Inc.; Tierra Alegre, Inc.
- Kinnevik Online AB's acquisition of Global Fashion Group
- Relia, Inc.'s acquisition of Infocom Technologies, Inc.; SPI CRM, Inc.
- Mars Investment Lux I S.a.r.l.'s acquisition of VXI Global Holdings B.V. (Netherlands)
- JX Holdings, Inc.'s acquisition of TonenGeneral Sekiyu K.K.
- Presage Corporation's acquisition of Northwind Power Development Corporation
- Daido Metal Co., Ltd.'s acquisition of lino Holding Ltd.
- Everise Holdings (US) LLC's acquisition of C3/ CustomerContactChannels Holdings, Inc.
- 66. Therma Power, Inc.'s acquisition of World Power Holdings, L.P. ("WPH"), World Power Holdings GP, Ltd. ("WPH GP"), Sithe Global Power, L.P. ("SGP"); Sithe Global Power GP, Ltd. ("Sithe GP")
- Negros Holdings & Management Corporation's acquisition of China-ASEAN Marine B.V.

2 ENFORCING COMPETITION POLICIES AND REGULATIONS

It is one of the common challenges for new competition agencies to prioritize advocacy over enforcement activities in its early years of operation. This is because educating the business community and the public about the competition law makes enforcement more effective, following intensive advocacy programs, especially during the two-year transitory period provided in the PCA.

Despite being the youngest competition authority among the members of the Association of Southeast Asian Nations (ASEAN), the Philippine Competition Commission (PCC) seized opportunities

to build its capacities, draft guidelines and procedures, and recruit highly-skilled officers, while enforcing the competition law by acting on competition-related concerns.

In 2016, the PCC received and acted upon six (6) queries and/or complaints on competition-related concerns. It has also conducted three (3) preliminary inquiries (PI), one (1) of which proceeded to full administrative inquiry (FAI).

At the same time, the PCC also boosted its capacity in competition enforcement by recruiting highly-qualified personnel

and providing training opportunities to its enforcement officers. By the end of 2016, more than half of the plantilla positions under the Competition Enforcement Office (CEO) have been filled. Its enforcement officers were also sent to at least 13 local and international training-seminars.

3 ISSUANCE OF ADVISORY OPINION AND CONDUCT OF POLICY RESEARCH

Among the key mandates of the PCC are the conduct of economic and legal research, issuance of advisory opinions and guidelines on competition-related matters for the effective enforcement of the PCA, and advocacy of pro-competition policies of the government by reviewing economic and administrative regulations that may adversely affect competition in markets.



Amicus brief

The PCC submitted to the Supreme Court (SC) its amicus brief on the Philippine Contractors Accreditation Board (PCAB)-Manila Water Company Inc. case in December 2016. The PCC's intervention as *amicus curiae* is allowed under Rule 138, Section 36 in relation to Rule 19, Section 1 of the Rules of Court.

In the said amicus brief, the PCC asked the SC to nullify PCAB's nationality requirement in its current licensing scheme for contractors in the

construction industry. The SC ruling on this case is anticipated to make a significant impact on the Philippine construction industry, which could potentially open and level the playing field for both domestic and foreign contractors. Further, both the public and private construction sectors are seen to gain from lifting the restriction through increased private construction activities and opportunities for knowledge transfer and application of new, advanced technologies, respectively.

Senate hearing on the telecommunications industry

The PCC participated in a public hearing on the telecommunications sector conducted by the Senate Committee on Economic Affairs, led by Sen. Sherwin Gatchalian, along with the Committee on Trade, Commerce, and Entrepreneurship, on December 8, 2016. The hearing involved Senate Resolution No. 213 entitled: "Resolution directing the appropriate Senate Committee to conduct an inquiry, in aid of legislation, to generate evidentiary data to establish the economic effects upon the consumer in particular, and the national economy in general, on the present model of operation and regulation of the telecommunications industry, with the end in view of

recommending policy to strengthen key economic reforms that are consistent with the country's medium-term development plan and long-term vision and protective of the interests of consumers in a robust economy that is fostered by free competition and inclusive growth."

Resource persons from the PCC include Commissioner Johannes Benjamin Bernabe, Mergers and Acquisitions Office Director Atty. Krystal Uy-Sia, and economist Justin Chan.



4 ADVOCACY ACTIVITIES

Recognizing that strategic advocacy plays a vital role in effective competition enforcement, the PCC pursued activities and initiatives to educate the business community and the general public on competition law.

In its first year of operation, the PCC pursued its agenda to inform the general public, especially its partners, in the implementation of the PCA. The PCC conducted 24 advocacy activities and developed various publications and multimedia products to increase stakeholders' awareness of the PCA, the PCC, and its functions.

Communication Strategy

The activities of the PCC were guided by its communication and advocacy strategy (the strategy) contained in the business plan, which identifies the advocacy goals, and analyzes its audience according to their interest, importance, and relationship with the PCC, and opportunities to reach them. The strategy also identified the audiences' relative roles in achieving the PCC's advocacy goals.

The strategy lays out the appropriate sets of activities to reach the PCC's audiences (e.g. trainings, seminars, workshops, talks, lectures, exhibits, roadshows, etc.), as well as the lineup of educational materials or knowledge products for each audience (e.g. publications, social media content, etc.). The strategy also considers the timing and regularity of activities and the necessary support and resources. It sets the communication agenda for 2017-2019.

Among the key stakeholders identified in the communication and advocacy strategy are:



National and local governments



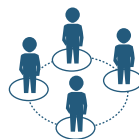
Judiciary and law practitioners



Big businesses (international and local)



Small and medium enterprises



Legislature and policy networks



Academe



Press



General public

Corporate branding and identity

The PCC's brand was set to build its public face. Its official logo serves as the visual representation of the agency. Guidelines were set for its official typography, as well as internal and external corporate collaterals (e.g. brochures, social media posts, newsletters, etc.) for a unified identity.



**PHILIPPINE
COMPETITION
COMMISSION**



**PHILIPPINE
COMPETITION
COMMISSION**

In April 2016, the PCC launched its official website and social media accounts to boost its online presence and efforts in reaching a wider audience. As of December 2016, its website has already generated a total of 19,361 page views; its Facebook account has already reached 23,545 users, with 6,686 page likes; and its Twitter account has already made 10,500 impressions. To boost these outcomes, PCC produced visual content, like infographics and videos, which are effective tools in engaging the public.



19,361
page views



23,545 reach
6,686 page likes



10,500
impressions

ISSUANCE OF THE PCA IMPLEMENTING RULES AND REGULATIONS



Just four (4) months after its establishment in February 2016, the PCC issued the Implementing Rules and Regulations (IRR) for the PCA on June 3, 2016. The PCC held a series of public consultations across the country in May 2016 to seek inputs and comments from various stakeholders.

The PCC engaged the participation of stakeholders in crafting the PCA's IRR through a series of public consultations attended by more than 250 participants in Cebu, Davao, and Metro Manila in May 2016.



FORMULATING THE NATIONAL COMPETITION POLICY

The Philippine Competition Commission (PCC) assisted the National Economic and Development Authority (NEDA) in formulating the National Competition Policy, in consultation with relevant agencies and sectors [e.g. Department of Justice - Office for Competition, Department of Trade and Industry (DTI)-Competitiveness Bureau, and Governance Commission for Government-Owned and Controlled Corporations (GCG)].

NATIONAL COMPETITION POLICY (NCP) REVIEW

On October 21, 2016, the NCP Review team, composed of National Scientist Dr. Raul V. Fabella, former Department of Agriculture Secretary Senen C. Bacani, and former Public-Private-Partnership (PPP) Center Executive Director Atty. Andre C. Palacios, held a focus group discussion with the PCC to set the expectations, timetable, and scope of the NCP Review. The meeting was convened for the review team with representatives from the PCC and the NEDA.

The NCP Review served as the basis for the formulation of the chapter on competition in the Philippine Development Plan (PDP) 2017-2022. The PDP 2017-2022 is the medium-term socioeconomic blueprint of the Philippines, which anchors all the priorities, projects, and programs that the entire government bureaucracy will implement and pursue until 2022. It will translate AmBisyonNatin 2040, the collective long-term vision and aspirations of the Filipino people for themselves and for the country for the next 25 years, and the administration's 0+10-point Socioeconomic Agenda, into strategies, policies, programs, and activities.

PANEL DISCUSSION ON COMPETITION LAW AND POLICY

On November 8, 2016, the PCC organized a panel discussion on Competition Law and Policy as part of the Philippine Economics Society's (PES) 54th Annual Meeting. Part of the said discussion involved gathering of inputs from relevant stakeholders in the formulation of the NCP in the Philippines. The panel members were PCC Chairman Arsenio M. Balisacan, PCC Commissioner Johannes R.

Bernabe, National Scientist Dr. Raul V. Fabella, former Department of Agriculture Secretary Senen C. Bacani, and former Public-Private-Partnership (PPP) Center Executive Director Atty. Andre C. Palacios. PCC Commissioner Stella A. Quimbo served as the panel moderator.



NCP PLANNING COMMITTEE FOR THE PDP 2017-2022

PCC Commissioner Stella Luz A. Quimbo served as the Chairperson of the National Competition Policy Planning Committee during the series of Plan Steering Committee (PSC) meetings and national consultations on the formulation of the PDP 2017-2022 Competition Chapter.

Commissioner Quimbo discussed how competition policy contributes to economic growth and poverty reduction; identified challenges to market competition arising from anti-competitive behaviors by private entities, and anti-competitive government policies and actions; and presented priority strategies to the identified challenges to market competition.

Other members of the said committee include the NEDA, DOJ Office for Competition, DTI, and GCG, in consultation with other agencies.

PDP REGIONAL CONSULTATIONS

The PCC joined NEDA during the regional consultations of the PDP 2017-2022. PCC economists Isabela Villamil, Shanti Aubren Prado, and Philip Libre made presentations on the NCP chapter

during the consultations conducted in Baguio, Batangas, Cebu, and Cagayan de Oro.

The NCP is a guide for crafting strategies towards removing barriers to either entry or market expansion, and curtailing anti-competitive practices. The Competition Chapter of the PDP identified the following priority strategies for achieving the goals of the NCP:



Review of potentially anti-competitive legislations and policies to come up with a priority list of those that should be repealed or amended.



Study competition issues in priority areas, through the conduct of market studies that will identify existing and potential competition issues, evaluate the effects of certain policies and agreements on market competition and consumer welfare, and recommend measures to address competition-related issues.



Investigation of potentially anti-competitive acts and agreements, to quantify the impact of the acts of firms on market efficiency, competition, and consumer welfare.



Promotion of pro-competitive policies and competition-related best practices, through the conduct of a wide range of advocacy efforts to foster a culture of competition and the creation of platforms to engage various stakeholders. The government shall uphold the principle of competitive neutrality and adopt policies that establish a level playing field in markets.



Capacity building of government agencies and creation of a knowledge base for effective competition enforcement.

ENGAGING THE PUBLIC

Public events are avenues for wider communication of the value of competition. Officials and experts from the PCC accepted various invitations to present the key provisions of the PCA and the functions of the PCC. The following are some of these speaking engagements:

- Swiss Executive Business Luncheon on June 7, 2016
- Roundtable Discussion on Enforcing Market Competition: Enacting the Philippine Competition Act and Implementing its Provisions on June 9, 2016
- General Membership Luncheon Meeting of the American Chamber of the Philippines on June 15, 2016
- Antitrust Asia Pacific Summit held on June 22-24, 2016
- Foundation for Economic Freedom Members' Monthly Meeting on June 29, 2016
- First BusinessWorld Economic Forum on July 12, 2016
- 6th ASEAN Competition Conference: Combatting Cartels in ASEAN - Getting It Right on July 27-28, 2016
- "Law and Economics: The Philippine Competition Act" Mandatory Continuing Legal Education on September 1, 2016
- Competition Law Workshop on Merger Control held on September 5-7, 2016



ASIAN LEGAL BUSINESS-PHILIPPINE COMPETITION LAW FORUM

Organized by the Asian Legal Business (ALB) on November 15, 2016, the Philippine Competition Law Forum discussed the provisions of the Philippine Competition Act and its Implementing Rules and Regulations, latest developments in merger controls, tried and tested strategies in improving compliance programs, and other topics relevant to lawyers and compliance experts including the investigation, enforcement, and adjudication processes, as well as ensuring full security for businesses in the Philippines.



FINANCIAL TIMES-FIRST METRO PHILIPPINES INVESTMENT SUMMIT

Along with other business experts, PCC Chairman Arsenio M. Balisacan discussed the outlook of the Philippine economy over the next six (6) years during the Financial Times-First Metro Philippines Investment Summit, held in Shangri-La at the Fort on August 2, 2016.

The Summit provided an avenue for public and private sectors to share their views on the policies and initiatives of the new administration and to assess the role that the private sector could play in facilitating the country's economic growth and progress.

ENGAGING THE MEDIA

Acknowledging the role of media as the PCC's critical partner in educating the public on the benefits of competition, the Commission undertook outreach activities to engage with media practitioners and professionals. These include the first press conference of the Commission, held on September 28, 2016, where its progress in implementing the antitrust law was highlighted. Two (2) roundtable discussions with technical staff and editors of the Philippine Star and Philippine Daily Inquirer were held on May 2 and November 9, respectively. A seminar on competition law and policy for media practitioners was also held on November 26-27 to provide an in-depth explanation of the law and the operations of the Commission.



PRESS CONFERENCE HIGHLIGHTS PCC'S PROGRESS IN IMPLEMENTING ANTITRUST LAW

The Philippine Competition Commission (PCC) held its first ever press conference on September 27, 2016 to highlight the important progress made in the implementation of the Philippine Competition Act (PCA).

Chairman Balisacan also shared the priorities of the Commission for the remainder of the year, including the completion of its National Competition Policy review, which is a report on the state of competition in various industries and sectors of the economy.



ABS-CBN NEWS CHANNEL (ANC) INTERVIEWS PCC CHAIRMAN ARSENIO BALISACAN

Within his first 72 hours of office, PCC Chairman Arsenio M. Balisacan shared, in a televised interview on ABS-CBN News Channel (ANC), the Commission's priorities, which include the drafting of the Implementing Rules and Regulations (IRR) of the Philippine Competition Act (PCA). Chairman Balisacan also said that issues hounding the telecommunication industry will be prioritized by the agency.





Media Seminar on Competition Law and Policy

The PCC conducted its first media seminar for business journalists on November 26-27, 2016.

The PCC Communications and Knowledge Management Office (CKMO), headed by Director Clarissa C. David, PhD., spearheaded the two-day seminar that shared the basics of the competition law and policy to reporters from different news organizations.

PCC officials and staff explained basic economic concepts on competition starting with the topic "Why Competition Matters," which highlighted the functions of the PCC and the benefits of competition to Filipino consumers. It was followed by lectures on "Economic Studies about Competition" and "Relevant Markets" by Shanti Aubren Prado and Justin Rainier Chan of the PCC Economics Office (EO).

Roundtable discussion with the Philippine Daily Inquirer

Continuing its rounds in the media circuit, the Philippine Competition Commission (PCC) organized a roundtable discussion (RTD) with editors and reporters from the Philippine Daily Inquirer (PDI) on November 9, 2016.

"It's a healthy exchange of insights and expectations given our relative infancy as an institution. We are proud to say that the Commission has gained much ground in carrying out the mandate of the Philippine Competition Act or PCA, which has truly been a game-changer in the country's business environment," PCC Chairman Arsenio M. Balisacan said.

Level playing field in business, key to ensuring sustainability of PH's growth

In a roundtable discussion with the business section editors and reporters of the Philippine Star on May 2, 2016, PCC Chairman Arsenio M. Balisacan said that a level playing field in business is key to ensuring the sustainability of the country's economic growth. The Chairman explained that the absence of a competitive environment in an economy would disrupt its growth potential.

PCC IN THE NEWS



In 2016, a total of 16 press releases were published by the PCC to update the public, through the media, on its activities and other undertakings.



From August to December 2016, there were 176 online articles that cited PCC or other related issues.

To widen the reach of PCC's initiatives in increasing its stakeholders' awareness of the competition law and the agency, a Publication Plan from 2016 to 2019 was crafted. For its first year, brochures were produced and disseminated containing information about the PCC, its Commissioners, and its key functions. A primer was also published explaining the benefits and importance of competition, general examples of anti-competitive agreements prohibited under the PCA, business practices the PCC monitors, and the notification process for certain mergers and acquisitions. Sixteen (16) press releases were produced during this year, which provided the general public information about the undertakings and activities of the PCC, including updates on cases, merger reviews, and competition enforcement, through online and print media.

The PCC Communications and Knowledge Management Office (CKMO) has also started drafting several information, education, and communication (IEC) materials for different stakeholders, which will be published in 2017. These include the Handbook for the General Public, and the Frequently Asked Questions (FAQs) for Small and Medium Enterprises (SMEs) and the General Public, among others.



5 INSTITUTION BUILDING AND CAPACITY BUILDING



As a new competition agency that will, among others, investigate possible breaches of competition law, review proposed mergers and acquisitions, and conduct market and industry studies relevant to promoting competitive markets, one of the PCC's initial challenges is to rapidly build the capacities of its personnel and partners in implementing the law.

To accomplish its vision of being a world-class authority in promoting fair market competition, the PCC is establishing itself as a respected institution with a high level of expertise. Its staff will continue to build their technical skills and expertise to carry out the responsibilities of the agency. Likewise, the PCC's partners in implementing the competition law, such as sector regulators and the judiciary, are also in need of continuing training and education on the various aspects of competition policy. To this



end, the PCC is building partnerships with established competition agencies in different countries to strengthen its capacity to conduct investigations, review mergers, analyze market competition, and other relevant skills.

To equip the PCC with the requisite knowledge and ability to effectively implement the PCA, PCC officials and staff joined various training activities designed to increase their understanding of competition law and policy, particularly in the context of the PCA. In cooperation with various multilateral and bilateral development organizations, training activities were conducted on competition policy, law, and economics. Programs designed to strengthen the capabilities and skills of internal personnel are referred to as Internal Capacity Building, while those that extend to partners outside of the agency as External Capacity Building Programs.



PCC Strategic and Operational Business Plan



One of the major accomplishments in institutional capacity building for 2016 is the formulation of the PCC's Strategic and Operational Business Plan which identifies priority programs and activities for 2017-2019. The Plan focuses on building the PCC's institutional capacity with the support of development partners, fellow sector regulators, and other stakeholder partners. The Plan maps out the direction the PCC will take in addressing its immediate tasks by the end of the transitory period in August 2017 and achieving its key targets by the end of 2019.

The objectives of the Plan are to:

1. Build systems and enhance the capacity of the PCC for increased efficiency, particularly on its core functional areas;
2. Engage development partners, counterpart competition agencies, intergovernmental organizations, and international academic institutions to assist the PCC in its initial years of existence; and
3. Carry out intensive advocacy campaigns and produce knowledge products to increase stakeholders' awareness of the PCA, the PCC, and its functions;

Key activities were identified to achieve these objectives, such as institution building and development through internal and external capacity building, implementing an advocacy and communications strategy, formulating a detailed competition enforcement, developing a Mergers and Acquisitions office operations manual, and working with the NEDA in the preparation of a **National Competition Policy Review Report**.

Capacity Building in Numbers



20
workshops and seminars attended (International)



8
seminars organized/conducted by the PCC for internal and external stakeholders



342
participants for seminars organized/conducted by the PCC for internal and external stakeholders

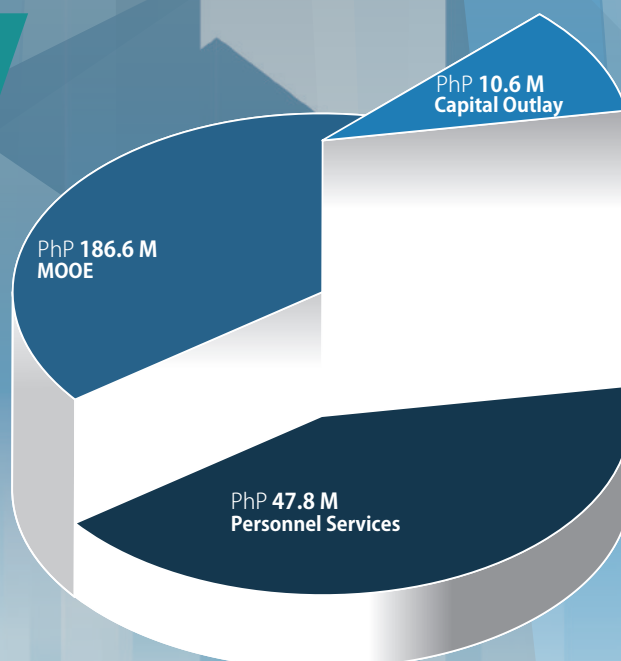
Staffing Pattern

Office/Unit	Number of Positions
Offices of the Chairman and Commissioners	33
Office of the Executive Director	6
Administrative and Legal Office	45
Finance, Planning and Management Office	27
Competition Enforcement Office	27
Mergers and Acquisitions Office	26
Economics Office	13
Communications and Knowledge Management Office	23
TOTAL	200

As of December 31, 2016, PCC has already filled up 43% of its plantilla positions.

Budget

The PCC received a budget of PhP 245 million for 2016. The majority of this budget was allocated to fund Maintenance and Other Operating Expenses (MOOE), which comprise seventy-six percent (76%) of the total. Twenty percent (20%) and four percent (4%) of the budget was allocated for Personnel Services (PS) and Capital Outlay (CO), respectively.



ENGAGING THE COMPETITION COMMUNITY THROUGH CAPACITY BUILDING



Seminar Series on Competition Law and Economics

The Commission teed off the first of its Seminar Series on Competition Law and Policy for various stakeholders on September 29-30 and October 3, mostly to officials of partner government agencies, the judiciary, and academe. Some of the topics discussed were international perspectives on competition policy, best practices in competition enforcement, relevant markets, and cartels.

The Commission, together with the British Embassy Manila as its co-organizer, invited speakers including PCC Commissioners, then incoming Executive Director Atty. Gwen Grecia-de Vera, and competition experts Atty. Ruben Maximiano from the Organisation for Economic Cooperation and Development (OECD); Dr. Joao Eduardo da Costa Gata, principal economic advisor of the Portuguese Competition Authority Board; Dean Antonio La Vina of the Ateneo School of Government, and Australian competition expert Atty. Rachel Burgess.



Workshops with US Antitrust Experts

Atty. Cynthia Lagdameo and Atty. Nicholas Franczyk, both representatives of the United States Federal Trade Commission (US FTC), discussed on July 25 the principles of merger reviews in the context of competition law in a workshop for technical experts. They presented aspects of market power in competition assessment and explained investigation planning for enforcement cases.

In August, a workshop delivered by US FTC Counsel Paul O'Brien, emphasized the importance of transparency in engaging merging and third parties and the protection of confidential information. He discussed the investigative processes and principles in competition enforcement, with a focus on the importance of procedural fairness.

Training on Cartel Investigation

To speed up its capacity-building in fighting cartels and anti-competitive conduct, ten (10) PCC lawyers and economists were sent to Bali, Indonesia on October 17-21. The agency participated in a workshop on Evidence and Interviewing Skills.

The training was conducted by the Competition Law Implementation Program (CLIP) specifically for the Philippine and Indonesian competition agencies.

During the workshop, competition authorities from other jurisdictions cited examples of cartels that were successfully investigated and prosecuted in different industries around the world.

The ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) and CLIP sponsored the said event.





High-level Consultation on Competitive Neutrality

Competitive Neutrality is a regulatory framework within which public and private enterprises face the same set of rules and where no contact with the state brings competitive advantage to any market participant (OECD, 2009).

Members of the Congress and officials from different sector regulators and state agency partners convened on December 1-2 for a high-level consultation on Competitive Neutrality, organized jointly by the PCC and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

International experts, including former European Union (EU) Hearing Officer for Competition Michael Albers and United Nations Conference on Trade and Development (UNCTAD) Legal Affairs Officer Pierre Horna joined the high-level talks that provided insights and exchanges in maintaining competitive neutrality among public and private businesses.

Present during the event were Sen. Juan Miguel Zubiri, Chairman of the Senate Committee on Trade, Commerce and Entrepreneurship; Rep. Manuel Zubiri, Vice Chairman of the House of Representatives Committee on Trade and Industry; Rep. Dakila Carlo Cua, Chairman of the House of Representatives Committee on Ways and Means; and Rep. Joey Salceda, Vice Chairman of the House of Representatives Committee on Economic Affairs.



International Competition Network Annual Conference

The Philippine Competition Commission joined the International Competition Network (ICN) Annual Conference held on April 25-29, 2016, with the objective of being apprised on the leading developments in competition policy and law as well as to present to over 500 competition experts in attendance the young yet vibrant competition regime in the country.

Speaking during the pre-conference panel on "Shaping Better Competition Policies through Regional Initiatives," PCC Chairman Arsenio M. Balisacan underscored the role of the Philippine Competition Act (PCA) in deepening economic reforms in the Philippines through the promotion of competition-enhancing policies. Chairman Balisacan was joined by Commissioners Johannes R. Bernabe, Stella Luz A. Quimbo, and El Cid R. Batuyan, as well as then Commissioner Menardo Guevarra.

ICN is the only international body composed of national and multinational competition authorities devoted exclusively to competition law enforcement. The network provides competition authorities with a specialized venue for maintaining regular contacts and addressing practical competition concerns, allowing for a dynamic dialogue that serves to build consensus and convergence towards sound competition policy principles across the global antitrust community.



Study Visit in Australia

PCC Chairman Arsenio Balisacan with the Commissioners visited Australia to learn about international best practices of the Australian Competition and Consumer Commission (ACCC), a recognized global leader in competition law (March 21-22).

ENGAGING WITH THE DEVELOPMENT COMMUNITY

As a new competition authority, the PCC faces significant challenges in the introduction and implementation of competition policies in the Philippines. To meet these challenges, the PCC will need to establish itself as a well-recognized and respected authority. Therefore, the PCC's first Strategic and Operational Business Plan focused on building institutional and individual capacities. One of the strategies outlined in the Plan is to engage development partners, counterpart competition agencies, intergovernmental organizations, and international academic institutions to work with the PCC in its initial years. The framework of assistance falls within the purview of a two-fold objective:

- i. To equip the PCC with the requisite knowledge and ability to effectively and credibly implement the PCA; and
- ii. To enhance the PCC's capacity to advance the Philippines' position and interests in international fora and negotiations, as appropriate.

Partnership for Competition Development Forum

Setting out to immediately realize the two-fold objective of the assistance framework, the PCC initiated bilateral meetings and consultations with development partners, leading to the inaugural Partnership for Competition Development Forum in September 2016. The Forum seeks to organize a coordination and investment programming platform which will optimize and harmonize the flow of existing and potential technical assistance from development partners. This platform was embodied in the Institutional Capacity Development Assistance Framework which reflects the key activities in 2017 that the development partners have committed to support during the Forum. The Framework likewise reflects opportunities which require technical assistance for 2018 to 2019.

The Forum was attended by the following development partners which expressed their commitment to assist the PCC in its priority activities:



Even before the Forum, some development partners have already been providing assistance to the PCC since it was established. The USAID and European Union-Philippines Trade Related Technical Assistance Project 3 (EU-TRTA3) have supported the PCC in the formulation of the Philippine Competition Act's Implementing Rules and Regulations. The ADB has provided assistance to the PCC in the review of the competition environment in the Philippines to jumpstart the formulation of the Competition chapter in the Philippine Development Plan 2017-2022 and the National Competition Policy (NCP). The Australia's Department of Foreign Affairs and Trade (AUS-DFAT) has likewise been a steadfast partner of the PCC during its initial stages of operation. DFAT provided support in the PCC's Strategic and Business Planning exercise and the development of the Institutional Capacity Development Assistance Framework for 2017-2019. The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), in partnership with the ASEAN Secretariat and OECD, supported the trainings and other capacity building needs of the pioneer staff of the PCC. World Bank also ensured that the PCC will be part of the International Competition Network (ICN).



Partnerships with Sector Regulators

While the PCC has original and primary jurisdiction in the enforcement and regulation of all competition-related issues, it is expected to work with relevant sector regulators. In particular, the PCC will be consulting its fellow regulators on matters where the latter's innate expertise and knowledge in their respective sectors are critical. Where

appropriate, the PCC will be closely coordinating with sector regulators for the issuance of rules and regulations that promote competition and protect consumers. In this regard, the PCC has had initial consultations with the Bangko Sentral ng Pilipinas (BSP), Energy Regulatory Commission (ERC), Securities and Exchange Commission (SEC), National Telecommunications Commission (NTC), and Insurance Commission (IC), among others.



Signing of Pledges of Support and Agreement

The series of meetings and consultations with development partners and sector regulators culminated in the formal signing of pledges of commitment and memoranda of agreement, respectively, during the Partnerships for Competition Development Forum on December 5, 2016.

Of important note is the Memorandum of Agreement (MOA) signed between the Philippine Competition Commission (PCC) and the Securities and Exchange Commission (SEC) that will further advance cooperation and collaboration between the two agencies. Through the said MOA, the SEC will refer to the PCC whenever it is approving applications on mergers or consolidations of corporations, increase in authorized capital stock of One Billion Pesos, and other corporate acts with a transaction value of more than Php1 billion. The agreement also puts into motion a staff exchange program between the PCC and SEC to further strengthen its cooperation.

The PCC hosted the event which brought together development partners, sector regulators, and government agencies committed to promoting fair market competition in the country. This event marked the first time that the Philippines observed the National Competition Day under the PCA.

The National Competition Day was officially declared under Proclamation No. 384 by former President Benigno Aquino III in 2012, as part of the recognition among competition authorities around the world. In addition to the development partners and sector regulators that the PCC has had initial dealings with, the event was also attended by government agencies including, among others, the National Economic and Development Authority (NEDA), Department of Finance (DOF), Department of Trade and Industry (DTI), Department of Justice-Office for Competition (DOJ-OFC), and the Office of the Solicitor General (OSG).





LO

A city skyline at sunset with a large magnifying glass over a building. The text "BOOKING AHEAD" is overlaid in large white letters.

**BOOKING
AHEAD**

ADVOCACY

By August 2017, the PCA will have been in effect for two (2) years. This will also mark the end of the transition period. Sec. 53 of the PCA mandated the PCC to undertake an advocacy program within the said period to inform the general public of the provisions of the Act.

The implementation of the PCC's advocacy program will be more extensive in 2017, as it approaches the end of the transition period. Strategies to increase awareness and understanding of the PCA and the PCC among the business community, consumers, and the general public have already been laid out in the PCC's advocacy and communications strategy for 2017-2019.

STRATEGIC ADVOCACY CAMPAIGN

The PCC's Communications and Knowledge Management Office (CKMO) will launch its flagship program, a strategic advocacy campaign designed to engage the general public, through the mass media (e.g. social media, broadcast, print, and other platforms). These activities will be complemented by the release of a series of publications for different audiences,

including handbooks, brochures, and books for the business community, government, public authorities, academe, law practitioners, and the general public. The preparation of initial guidelines for external stakeholders will be among the Commission's priorities in 2017. These guidelines will use simple and non-technical language, illustrations, and case examples, to effectively explain the PCA and how PCC intends to implement and enforce the law.

PUBLIC FORA, ROADSHOWS, COLLEGE TOURS, PRESS ROUNDS

Fora, press rounds, and meetings will comprise the PCC's program, including roadshows and exhibits in key major cities outside Metro Manila, and college tours, to widen its engagements with the local businesses and government units.

INTERNATIONAL CONFERENCE ON THE PRACTICE OF COMPETITION LAW AND POLICY

In view of the unique challenges encountered by developing countries in their experience on competition policy implementation, the PCC will organize its 1st Annual International Conference, with the theme "Competition Principles and Practices: Strategies and Challenges in Developing Countries." The event will bring together high-level experts from both developed and developing nations for a series of dialogues and fora.



POLICY RESEARCH

Upon the release of the National Competition Policy (NCP) Review and its chapter in the PDP 2017-2022, the PCC aims to increase interest in competition issues with the publication of various research papers, studies, and reports. The PCC will undertake economic research activities that will support its merger reviews and competition enforcement cases. The Commission will also conduct research for policy advocacy monitoring, including the administration of surveys to gauge the appreciation and understanding of its stakeholders about market competition.

Moreover, in close coordination with the Philippine Institute for Development Studies (PIDS), other relevant government units, and academic institutions, the PCC will publish policy notes/briefs, opinions, and other research publications on competition issues. There will also be follow up studies to complement the NCP Review.

ENFORCEMENT: STRENGTHENING PROCEDURES, RULES, AND GUIDELINES



To further strengthen and effectively carry out the enforcement of the PCA, while ensuring procedural fairness and transparency, the PCC targets to complete and publish the following rules of procedure within 2017:



Rules of Procedure:

- **Preliminary Inquiry and Full Administrative Investigation**, which will outline the investigative process that enables the Commission to identify anti-competitive conduct and the responsible entities
- **Penalties, Fines, and Remedies** that will provide sanctions for violations of the Act and remedies that may be imposed to preserve or restore competition
- **Interim Measures** to prevent damage caused to competition during investigation or adjudication proceedings
- **Adjudication** that will govern the procedure when the Commission hears and decides cases
- **Non-adversarial Remedies** to encourage cooperation and voluntary compliance by entities
- **Confidentiality** to provide safeguards to encourage the submission of confidential information relevant to the Commission's investigation and review



Strengthening Relationships with Enforcement Agencies and Sector Regulators

The Commission is working to establish policies and procedures on working relationships with relevant sector regulators and other government agencies to ensure clear delineation of responsibilities and functions and to establish effective, efficient, and cooperative working practices.

SUMMARY OF 2016 ACCOMPLISHMENTS

Major Final Output (MFO): Competition Policy Enforcement Services

I. Enforcement of Rules and Regulations

- **Issuance of Rules and Regulations.** The PCC issued the Implementing Rules and Regulations (IRR) of the Philippine Competition Act (PCA) on June 3, 2016. It took effect on June 18, 2016.

To allow the implementation of its mergers and acquisitions (M&A) review process while the PCA IRR was being crafted, the PCC issued guidelines on the requirements and procedures for notifications on M&As. Three Memorandum Circulars were issued, providing guidelines on: (1) M&As issued, executed, and implemented after the effectivity of R.A. 10667 and before the effectivity of the PCA IRR; (2) M&As effected through the Philippine Stock Exchange, which were executed and implemented after the effectivity of R.A. 10667 and before the effectivity of the

PCA IRR; and (3) filing fees for merger notification and review.

Two clarificatory notes were also issued. These were on (1) definitive agreements and binding preliminary agreements in M&As; and (2) coverage of compulsory notification.

The PCC also issued instructions on the Notification Form to guide entities filing M&A notifications.

- **Case Investigations.** The PCC conducted three (3) preliminary inquiries, of which one, continued to full administrative investigation.

II. Review of Mergers and Acquisitions

The PCC completed the review of 67 M&A filings within the prescribed timeline. Based on sectoral breakdown, M&A filings were mostly from the financial and insurance activities and manufacturing.

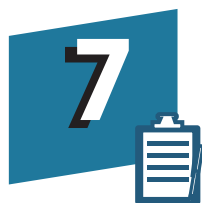
PCC Accomplishments

Review of M&A



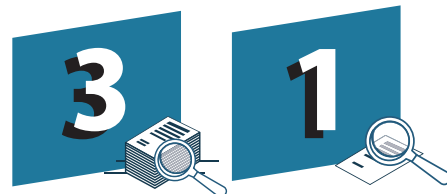
Completed M&A review

Issuance of Rules and Regulations



Rules and guidelines formulated

Case Investigations



Preliminary Inquiries (PI) conducted

Full Administrative Investigation conducted

III. Conduct of Advocacy and Capacity Building Activities

- **Capacity Building.** The PCC, in partnership with development organizations, conducted eight (8) capacity building activities for PCC officials, staff, and external stakeholders. Also, 20 international workshops and seminars were attended by PCC officials and staff to further enhance their understanding of competition law and policy.
- **Advocacy.** The PCC organized 24 advocacy events and engagements (e.g., National Competition Day, media interviews); published 31 written outputs (e.g., press releases, primers); and developed six (6) multimedia products as part of its advocacy campaign aimed to increase stakeholders' awareness of the PCA and the PCC.

In relation to its mandate to issue advisory opinions, the PCC submitted an amicus brief intervention on the case *PCAB vs. Manila Water Inc.*, to the Supreme Court.

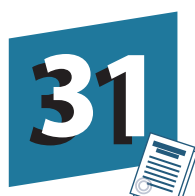
IV. Development of Human Resource

Since the PCC's establishment in February 2016, 86 out of the 200 plantilla positions have been filled as of end of December 2016. The recruitment process is ongoing to fill the remaining plantilla positions by the third quarter of 2017.

Conduct of advocacy activities



advocacy events organized



written outputs produced



multimedia products produced/managed



capacity building activities conducted/organized by the PCC



capacity building activities attended by the PCC (international)

Human Resources



plantilla positions filled

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**Dr. Tanate served as the OIC-Executive Director from July 1, 2016 to January 15, 2017. Atty. De Vera was appointed to the position on January 16, 2017.*



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2016 FINANCIAL REPORTS

STATEMENT OF FINANCIAL PERFORMANCE

Fund 01

(In Philippine Peso)

For the Year Ended December 31, 2016

Revenue

Total Revenue

-

Less: Current Operating Expenses

Personnel Services

Salaries and Wages

Salaries and Wages-Regular

34,055,078.36

Total Salaries and Wages

34,055,078.36

Other Compensation

Personal Economic Relief Allowance (PERA)

558,863.63

Representation Allowance (RA)

1,009,250.00

Transportation Allowance (TA)

1,009,250.00

Clothing/Uniform Allowance

35,000.00

Productivity Incentive Allowance

256,500.00

Overtime and Night Pay

139,065.74

Year End Bonus

3,573,429.00

Cash Gift

179,000.00

Total Other Compensation

6,760,358.37

Personnel Benefit Contributions

Retirement and Life Insurance Premiums

4,077,870.40

Pag-IBIG Contributions

30,800.00

PhilHealth Contributions

89,943.75

Employees Compensation Insurance Premiums

30,086.36

Total Personnel Benefit Contributions

4,228,700.51

Other Personnel Benefits

Terminal Leave Benefits

47,328.35

Total Other Personnel Benefits

47,328.35

Total Personnel Services

45,091,465.59

2016 FINANCIAL REPORTS

Maintenance and Other Operating Expenses	
Traveling Expenses	
Traveling Expenses-Foreign	90,742.65
Total Traveling Expenses	90,742.65
Training and Scholarship Expenses	
Training Expenses	10,000.00
Total Training and Scholarship Expenses	10,000.00
Supplies and Materials Expenses	
Office Supplies Expenses	276,437.91
Semi-Expendable Machinery and Equipment Expenses	319,208.84
Other Supplies and Materials Expenses	21,095.36
Total Supplies and Materials Expenses	616,742.11
Communication Expenses	
Telephone Expenses	240,569.87
Internet Subscription Expenses	162,000.00
Total Communication Expenses	402,569.87
Survey, Research, Exploration and Development Expenses	
Survey Expenses	199,000.00
Total Survey, Research, Exploration and Development Expenses	199,000.00
Confidential, Intelligence and Extraordinary Expenses	
Extraordinary and Miscellaneous Expenses	1,105,400.00
Total Confidential, Intelligence and Extraordinary Expenses	1,105,400.00
Professional Services	
Legal Services	855,565.59
Other Professional Services	320,833.33
Total Professional Services	1,176,398.92
Taxes, Insurance Premiums and Other Fees	
Taxes, Duties and Licenses	18,688.53
Fidelity Bond Premiums	35,250.00
Total Taxes, Insurance Premiums and Other Fees	53,938.53
Other Maintenance and Operating Expenses	
Representation Expenses	33,317.22
Transportation and Delivery Expenses	101.00
Rent/Lease Expenses	10,460,620.98
Subscription Expenses	213,386.34
Other Maintenance and Operating Expenses	3,013.04
Total Other Maintenance and Other Operating Expenses	10,710,438.58
Total Maintenance and Other Operating Expenses	14,365,230.66

Financial Expenses	
Financial Expenses	
Bank Charges	2,376.48
Total Financial Expenses	<u>2,376.48</u>
Non-Cash Expenses	
Depreciation	
Depreciation-Machinery and Equipment	52,275.87
Depreciation-Transportation Equipment	8,932.50
Depreciation-Furniture, Fixtures and Books	1,500.00
Total Depreciation	<u>62,708.37</u>
Total Non-Cash Expenses	<u>62,708.37</u>
Current Operating Expenses	<u>59,521,781.10</u>
Surplus (Deficit) from Current Operations	- 59,521,781.10
Financial Assistance/Subsidy from NGAs, LGUs, GOCCs	
Subsidy from National Government	75,750,310.18
Total Financial Assistance/Subsidy from NGAs, LGUs, GOCCs	<u>75,750,310.18</u>
Surplus (Deficit) for the period	<u><u>16,228,529.08</u></u>

2016 FINANCIAL REPORTS

STATEMENT OF FINANCIAL POSITION Fund 01 (In Philippine Peso) As of December 31, 2016

ASSETS

Current Assets

Cash and Cash Equivalents	<u>877,026.74</u>
Cash on Hand	200,000.00
Petty Cash	<u>200,000.00</u>
Cash in Bank-Local Currency	370,154.74
Cash in Bank-Local Currency, Current Account	360,154.74
Cash in Bank-Local Currency, Savings Account	10,000.00
Treasury/Agency Cash Accounts	306,872.00
Cash-Treasury/Agency Deposit, Trust	<u>306,872.00</u>
Receivables	<u>23,501,821.87</u>
Inter-Agency Receivables	23,265,881.31
Due from National Government Agencies	29,250.14
Due from Government-Owned and/or Controlled Corporations	23,236,631.17
Other Receivables	235,940.56
Due from Officers and Employees	207,840.56
Other Receivables	28,100.00
Inventories	<u>132,674.62</u>
Inventory Held for Consumption	132,674.62
Office Supplies Inventory	131,201.98
Other Supplies and Materials Inventory	1,472.64
Other Current Assets	<u>1,911,583.82</u>
Other Prepayments	1,711,583.82
Guaranty Deposits	200,000.00
Total Current Assets	<u>26,423,107.05</u>

Non-Current Assets	
Property, Plant and Equipment	6,189,054.73
Machinery and Equipment	6,095,049.73
Office Equipment	17,064.53
<i>Accumulated Depreciation-Office Equipment</i>	- 2,047.74
<i>Net Value</i>	15,016.79
Information and Communication Technology Equipment	6,051,845.44
<i>Accumulated Depreciation-Information and Communication</i>	6,096,094.40
<i>Technology Equipment</i>	- 44,248.96
<i>Net Value</i>	6,051,845.44
Communication Equipment	34,166.67
<i>Accumulated Depreciation-Communication Equipment</i>	- 5,979.17
<i>Net Value</i>	28,187.50
Transportation Equipment	65,505.00
Motor Vehicles	74,437.50
<i>Accumulated Depreciation-Motor Vehicles</i>	- 8,932.50
<i>Net Value</i>	65,505.00
Furniture, Fixtures and Books	28,500.00
Furniture and Fixtures	30,000.00
<i>Accumulated Depreciation-Furniture and Fixtures</i>	- 1,500.00
<i>Net Value</i>	28,500.00
Total Non-Current Assets	6,189,054.73
TOTAL ASSETS	32,612,161.78
LIABILITIES	
Liabilities	
Current Liabilities	
Financial Liabilities	6,118,044.23
Payables	6,118,044.23
Accounts Payable	4,724,703.35
Due to Officers and Employees	543,241.23
Tax Refunds Payable	850,099.65
Inter-Agency Payables	9,886,271.61
Due to BIR	- 0.17
Due to GSIS	- 558.12
Due to GOCCs	9,886,829.90
Trust Liabilities	306,872.00
Trust Liabilities	306,872.00
Other Payables	10,677.15
Other Payables	10,677.15
Total Current Liabilities	16,321,864.99
Total Liabilities	16,321,864.99
Total Assets less Total Liabilities	16,290,296.79
Net Assets/Equity	
Equity	
Government Equity	16,290,296.79
Accumulated Surplus/(Deficit)	16,290,296.79
Total Net Assets/Equity	16,290,296.79

2016 FINANCIAL REPORTS

STATEMENT OF CASH FLOWS
Fund 01
(In Philippine Peso)
For the Year Ended December 31, 2016

Cash Flows From Operating Activities	
Cash Inflows	
Receipt of Notice of Cash Allocation	232,268,921.00
Receipt of Tax Remittance Advice	10,134,203.30
Trust Receipts	306,872.00
Other Receipts	63,900.99
Total Cash Inflows	<u><u>242,773,897.29</u></u>
Cash Outflows	
Remittance to National Treasury	63,900.99
Payment of Expenses	30,651,125.20
Cash Remitted for Withholding Taxes (TRA) - through Account Cash TRA	10,134,203.30
Liquidation of Petty Cash Fund	-
Purchase of Inventories held for consumption	369,735.89
Grant of Cash Advances	118,842.65
Prepayments	1,017,142.70
Payments of Accounts Payables	
Remittance of Personnel Benefit Contributions and Mandatory Deductions	7,576,631.15
Grant of Financial Assistance/Subsidy	-
Release of Inter-Agency Fund Transfers	23,265,881.31
Release of Intra-Agency Fund Transfers	-
Other Disbursements	
Reversal of Unutilized NCA	166,652,814.12
Total Cash Outflows	<u><u>239,850,277.31</u></u>
Net Cash Provided by (Used in) Operating Activities	<u><u>2,923,619.98</u></u>
Cash Flows from Investing Activities	
Cash Outflows	
Purchase/Construction of Investment Property	-
Purchase/Construction of Property, Plant and Equipment	2,046,593.24
Investments	-
Purchase of Intangible Assets	-
Grant of loans	-
Total Cash Outflows	<u><u>2,046,593.24</u></u>
Net Cash Provided By (Used In) Investing Activities	<u><u>(2,046,593.24)</u></u>
Cash Flows From Financing Activities	
Total Cash Outflows	<u><u>-</u></u>
Cash Provided By (Used In) Financing Activities	<u><u>-</u></u>
Increase (Decrease) In Cash and Cash Equivalents	<u><u>877,026.74</u></u>
Cash and Cash Equivalents, January 1, 2016	
Cash and Cash Equivalents, December 31, 2016	<u><u>877,026.74</u></u>





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PCC Annual Report 2016: Scaling New Heights

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