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THE AYALA GROUP DURING THE AQUINO PERIOD: DIVERSIFICATION ALONG WITH A CHANGING OWNERSHIP AND MANAGEMENT STRUCTURE

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INTRODUCTION

THIS study will examine the Philippines' oldest and largest business conglomerate, the Ayala Group, and its diversification and changes in the structure of its ownership and management that took place during the time of the Aquino government (March 1986–June 1992). Section I will discuss the position of the Ayala Group during the Aquino period. Section II will examine the diversification that the group carried out in its real estate business, export processing industries, foods sector, and its finance and insurance business. Section III will look at the changes that have taken place in the ownership and management of the Ayala Group.

Sources and materials used for this study include annual reports for the various companies, a bulletin put out bimonthly by the Ayala Corporation for its management [3], two publications providing a great deal of history on the Ayala Corp. and on the Bank of the Philippine Islands (BPI) [12] [9], prospectuses provided at the time of public stock offerings, corporate directories, as well as magazines and local newspapers. To keep this study from becoming too complex and cumbersome, citations have been limited to the most representative articles, and numerical figures are those from the annual reports and prospectuses that the Ayala Group itself has published.

I. THE POSITION OF THE AYALA GROUP

During the twenty years from September 1972, when President Marcos declared martial law, to June 1992, when the present Ramos government came to power, the intervention of politics into the economy greatly distorted and impoverished the Philippine economy causing it to lag far behind the other Southeast Asian nations. Marcos's policy of development by dictatorship has been characterized as "crony capitalism." Marcos's flight overseas in February 1986 with his wife and his big-time cronies interrupted economic activity and thrown it into confusion. The Ayala Group had refused to become part of Marcos's crony capitalist circle, and in February 1986 during the presidential election, the group's head, Jaime Zobel de Ayala (hereafter Jaime), made clear his support for Aquino's candidacy. This stance ushered in the honeymoon period between the Aquino government and the Ayala family.

The biggest task facing President Aquino on taking office was insuring that her government's policy of dismantling Marcos's crony capitalism was carried out. However the enforcement of this policy was the cause of repeated coup d'état attempts which gave the Philippines the image of being an unstable country, and the resulting slump in new foreign and domestic investment had an immeasurable impact on the nation's economy. Along with this was the Aquino government's neglect for six years of the half-finished atomic power plants begun by the Marcos government. This neglect was not so much because of the scientific investigations into their safety as because of the huge bribery scandal involving Marcos's cronies connected with these plants. This neglect has left for the Ramos government the serious electric power crisis which is more damaging than the coup d'état attempts to foreign and domestic investors.

As in the other ASEAN countries, foreign affiliated enterprises are strong in the Philippines. As of the end of 1990, seventeen of the top fifty companies in sales were foreign affiliates, eleven of these American which included oil refining and sales, banking and insurance, coconut oil processing, semiconductors, and banana and pineapple production, all industries requiring large long-term investment. The Japanese were next with three companies in automobiles and home electric appliances. Of the Filipino companies, twelve were state-owned including such key industries as banking, oil refining and sales, electric power, airlines, steel, and pulp and paper manufacturing concerns. From around the end of the Marcos regime the World Bank and IMF began strongly advocating the privatization of these industries, and by the end of the Aquino government some results in this direction, such as those with Philippine Air Lines, had begun to emerge. The remaining twenty-one companies were domestically capitalized private Filipino enterprises and represented the country's large corporate conglomerates. The owners and managers of these domestic enterprises were a variety of Filipinos made up of those of Spanish descent, of Chinese descent, and of Malay descent which is the group having the strongest sense of indigenous feelings.

The two reigning corporate conglomerates in the Philippine business world are the Soriano and Ayala groups. The leadership of both are of Spanish descent and both have come to mutually recognize each other as forming the main stream within the Filipino corporate group world. But the number of families of Spanish descent among the conglomerate-controlling families is clearly on the decline. The Elizalde family, which together with the Ayala and Soriano families had been called the three grand conglomerate families, fell behind during the Marcos era, and other than the latter two remaining families there is only the Aboitez family and perhaps one could include the Del Rozalio family as well. In contrast to this decline has been the steady rise of ethnic Chinese families. Representative examples are the Lopez and Cojuangco families, the latter being President Aquino's maiden-name family. Both of these families built up their wealth before World War II based on sugar plantations, and they used this foundation for their postwar business expansion. As landed aristocratic families they became political bosses in regional politics from which they rose to achieve high reputations in national politics as well. Other more recent conglomerates have been rapidly increasing strength. These have not inherited old businesses or broad expanses of real estate from predecessors, and most have arisen from rags to riches in the postwar years in one or at most two generations. Examples are John Gokongwei, Jr. (foods, sugar refining, textiles, hotels, shopping centers, real estate, and banking), Henry Sy (supermarkets and finance), Alfonso Yuchengco (finance and insurance), George S.K. Ty (finance, insurance, and automobile assembly), Wilfred Uytengsu (flour milling and foods), Jose and Raul Concepcion (flour milling, foods, and home electrical appliances); then there are young fast rising newcomers like Alfredo Ramos as well as Rovert Coyiuto (oil exploration, real estate, and stock brokering); there is also Lucio Tan (tobacco, banking, beer, and hog raising), an alleged Marcos's crony capitalist and conglomerate builder who has cleverly survived in the post-Marcos era.

Having come out clearly in support of Aquino's presidential candidacy, the Ayala Group entered the new Aquino era on good terms with the new president. In the new political climate, the group shifted to a prudent but also bold management strategy centered on its mainline business in the real estate sector which brought about a full-scale expansion of its business activities. While foreign and domestic investors were taking a wait-and-see approach during the early stage while the Aquino government was establishing itself, the Ayala Group quickly launched into large-scale real estate investment and commenced on a real estate and building boom that pulled in other large Filipino Chinese conglomerates as well as the Kuok Group based in Malaysia and Hong Kong. The Ayala Group's real estate investment during this period was sustained by the group's own endogenous development strategy as well as by the need to cope with the following two trends in the Asian world. One was the real estate boom that was washing over Japan, the Asian NIEs, and the ASEAN countries. The other was the new rush to develop industrial estates and export processing zones within the ASEAN countries in order to attract foreign direct investment under the outward-looking economic policies pursued by the governments of these countries.

A point I would like to note here is that the strategy of developing these industrial estates in the Philippines and making them bases for export-oriented industries was carried out through tie-ups between Japan's large general trading companies and local landed capitalists, and it was the positive results of this strategy that finally made a foot-dragging Aquino government implement an outward-looking policy. Central in implementing these private capital initiatives was the Ayala Group. Despite the largest coup d'état attempt in December 1989, the group continued to work on its Laguna Technopark project which opened a year later in December 1990. The first companies attracted to the park were big Japanese enterprises like Matsushita Electric Industrial Co., Matsushita Communication Industrial Co., Honda Motor Co., Mitsubishi Electric Corp., Fujitsu Ten, Nissan Motor Co., or the local affiliates of these transnational companies, and this had a big political and economic impact as well as demonstration effect.

The Ayala Corp. purchased a site within the park for a new factory where it will move its own subsidiary semiconductor manufacturer. The group also provided 15 per cent of the capital and handled sales for another project set up in the park with Honda Motor to assemble compact cars and engines. The Ayala Group had made a partial entry into the export processing industry back during the latter half of the 1970s, but real efforts in this area were accelerated during the Aquino period when the group actively sought out orders to assemble semiconductors for Japanese and American users. The group also moved into the agribusiness with investments in tuna canning and in shrimp farming and exporting. These efforts established the group's operations in the export processing manufacturing sector which became one of its main lines of business following those in real estate, finance, and insurance.

The new attention to export-oriented industries did not mean the Ayala Group ignored industries meeting domestic demand. In the foods sector where domestic demand remains stable, the group used its base in meat and meat processing to open the way for its entry into the chain restaurant business and into flour milling, and despite the fierce competition that has grown up in these sectors, the group has steadily expanded its share in both businesses. The Ayala Group's tremendous conglomerate strength has been supported by its possession of a big finance and insurance sector which is not only profitable but also an important source of financing for the Ayala Group's active investment.

II. THE DIVERSIFICATION OF MANAGEMENT

A. *The Real Estate Business*

The Ayala Group's real estate operations are the group's largest area of business and the one that experienced the most outstanding development during the Aquino period. In this section I would like to look at this area from two vantage points, firstly from that of "business strategy" and then from that of the "enterprise integration."

1. *Five features of real estate business strategy*

Table I shows the value of assets owned by Ayala Land, Inc., the holding company for the group's real estate business sector. Using the information in this table, the following five features can be pointed out about the business strategy of the Ayala Group's real estate operations: (1) there has been the active purchasing of land to expand the base of the real estate business; (2) there has been diversification for the purpose of developing the acquired land and its utilization has been through high value-added means; (3) there has been long-term stabilization of profit sources through the redevelopment of already developed real estate assets; (4) there has been a broader range of areas targeted for development; and (5) there has been the promotion of joint development with foreign and domestic developers to enhance the quantitative and qualitative scale of real estate development.

Taking a closer look at number 1, the expansion of land acquisitions, prior to the period under examination in this study, the Ayala family had purchased in 1851 the 1,650-hectare Makati tract for 52,000 pesos (930 hectares of which they began to develop from the latter half of the 1940s), and in 1976 they bought up the 659-hectare Alabang area from the Madrigal family. Moving into the

TABLE I

THE APPRAISALS OF PROPERTIES OWNED BY AYALA LAND, INC., DECEMBER 1990

(Million pesos)

Property	Fair Market Value	Value of Leased Fee
Makati:		
Makati Commercial Center	16,957	3,077
Greenbelt Commercial Center	4,979	724
Magallanes Commercial Center	1,303	319
Ayala Triangle	6,366	—
Roxas Triangle	1,269	—
Carpark Buildings	1,694	—
Hotel Buildings	—	2,249
Subtotal including others	40,989	6,369
Metropolitan Manila except for Makati:		
Alabang Commercial Center	1,754	136
Ayala Alabang	3,672	—
Ayala Heights	763	—
Las Piñas	1,092	—
Subtotal including others	7,415	136
Others:		
Sta. Rosa (Laguna)	1,060	—
Cebu City	4,751	—
Subtotal including others	6,054	—
Total	54,459	6,504

Source: Appendix B in Ayala Land, Inc. [5].

Notes: 1. This appraisal was undertaken by Asian Appraisal Co., Inc.

2. — represents 0 or a very small amount.

period of concern to this study, in 1985 the Ayala Group bought up 70 hectares of land in Quezon City and turned this into Ayala Heights its first housing development tract in that city. Then in 1988 it bought up 146 hectares in Las Piñas to use also for housing development; in 1989 it acquired from the Yuro family 344 hectares in Laguna province for industrial estate use (of which 124 hectares was turned to housing and commercial use); and in 1990 the group bought 192 hectares of land in Santa Rosa to use for housing development especially for people connected with the industrial estate in Laguna. Then during 1991 the group was in the process of using equity financing by Ayala Land to expedite the purchase of land on the outskirts of Manila worth 800 million pesos.

In addition to the above land acquisitions in Metro Manila and its outskirts was another 68.4 hectares bought 1989 and 1990 for two projects on Cebu Island. Through this series of land acquisitions during the Aquino period which the Ayala Group initiated either on its own or jointly with other parties, the group increased its real estate assets by more than 750 hectares making the scale of its holdings far and away the largest compared with other rival business groups newly entering the real estate sector.[1]

The Ayala Group's landholdings were greatly expanded by this series of real estate purchases. Particularly those in Laguna and Cavite, part of the five-province CALABARZON zone[2] adjacent to the capital metropolitan area, and those under development on Cebu Island since 1990 were regarded as prudent real estate investments with the most certainty of success; in other words the group's whole real estate expansion effort has in no way been a blind catch-as-catch-can undertaking.

Turning to number 2, diversification and high value-added utilization, of particular note here was the Ayala Corp.'s new large-scale entry into developing industrial estates. Prior to entering into this new line of development, the group's real estate business after World War II was divided into two broad areas: 1) the business of developing and selling housing tracts, condominiums, and commercial properties, and 2) the business of developing the Ayala Group–owned land into business centers and earning income from the rental of property, buildings, and stores in these centers.[3] In 1989 and 1990 Ayala Land's gross income was 1,695.2 million pesos and 1,990.9 million pesos respectively (with net income of 732.4 million pesos and 724.7 million pesos respectively). The portion of this income coming from broad business area 1 above was 63.5 per cent in 1989 and 54.8 per cent in 1990; that from 2 was 26.1 per cent and 26.2 per cent respectively (with the remainder coming from income on interest and dividends) [5, p. 12].

Since the war the development of spacious, high-class housing tracts have consistently been the Ayala Group's biggest source of profit; however, profits from the sale of housing developments and condominiums are in transition and hereafter the cost of acquiring land is expected to rise making these long-standing sources of profit extremely unstable. Although the Ayala Group was very active in buying up land before the big jump in land prices during the Aquino government, there is a essential difference in the margin of profit from the development of these properties compared with that of the inherited Makati land purchased more than 140 years ago.

The third feature of the Ayala Group's strategy as it approaches the twenty-first century is to work on enhancing those sources of rental income that are steadier and more permanent than its traditional postwar sources mentioned above. The main ones in the group's redevelopment plans are the commercial centers starting with the Ayala Center whose redevelopment started at the end of 1989.[4] The Ayala Group secured about fifty hectares of land in the center

1 The above figures are all contained in Ayala Land, Inc.'s most recent stock issuance prospectus [5].

2 The five provinces of this zone are: Cavite, Laguna, Batangas, Rizar, and Quezon.

3 See Lachica [12] concerning the development of the Makati tract. This source also contains Joseph R. McMicking's "Makati Adventure" [12, pp. 163–64].

4 For an overview of the Ayala Group's business activities, see [1, p. 6] [2, pp. 9–12] [8, February 23, 1989] [7, May 24, 1989].

of its Makati tract as a commercial area and developed its Ayala Center (covering thirty-eight hectares and composed of the Makati Commercial Center and Greenbelt Commercial Center) and other commercial centers. None of these areas were subdivided into housing lots and sold; instead they were rented out to a diversity of users such as hotels (four as of the end of 1990), department stores (thirteen as of ditto), supermarkets (five, ditto), as well as a great variety of upscale shops (more than six hundred, ditto) [5, p. 18]. Upwards to 90 per cent of the income from the above-mentioned rentals comes from the tenants occupying the Ayala Center.

The fourth and fifth features of the Ayala Group's real estate strategy, broadening the range of development and promoting joint-venture development, have targeted mainly industrial estates. As mentioned above during the Aquino period the Ayala Group led the way in the development of export-oriented industrial estates (Appendix Table I).[5] The fact that large-scale industrial estates in the other ASEAN countries like Indonesia and Thailand also tied up with large Japanese general trading companies means that these trading companies themselves expected a strong rush ahead in outsourcing (overseas procurement) investment by Japanese transnational corporations in such areas as home electrical appliances, automobiles, communications equipment, and the electronic parts used in these products and anticipated related business chances in the import-export business of these investments. On the other hand local partners in the industrial estate business expected the Japanese trading companies to attract Japanese investors. When Samsung of Korea stepped in to work with developing the first Korean industrial estate in the Philippines, the same anticipation was working then.[6]

All of the industrial estates in Appendix Table I were central to the so-called CALABARZON plan which the Aquino government worked out during the latter half of its term (see also Appendix Figure 1). This plan distributed the industrial estates around the five provinces surrounding the Manila metropolitan area, and the project called for the government to assist with roads, electric power, communications, water and sewage, and other such infrastructure. The favorable progress that the Ayala Group as a private developer made in creating industrial estates stimulated the Aquino government to pursue two developments. One was that the government intended to spread the strategy of industrialization planning centered on industrial estates throughout the Philippines, and the other was that the leadership taken by the private sector in these industrial estates further quickened the privatization of the businesses in the government-owned and government-run export processing zones under the Export Processing Zone Authority (EPZA) [8, July 9, 1991]. These private developers also have succeeded in getting privileges from the authority to open special export processing zones (SEPZ) within their private industrial estates.

Following the real estate developments concentrated largely in the suburban zones of Laguna and Cavite 30–40 kilometers from the center of Manila, the next

[5] Concerning the Laguna Technopark, see [3, Vol. 1, No. 8, December 1990, p. 2] [13].

[6] See [16, April 5, 1991] [8, April 5, 1991] [18, September 11, 1991].

noteworthy developments have been those in Cebu province. Here too it has been the Ayala Group that has taken the initiative. The Ayala Group teamed up with the Soriano Group and then with the Kuok Group as well to purchase a 44.7-hectare golf course owned by the province, and this land is presently being developed into a business center on the lines of those of Makati [3, July 1991, pp. 1–2]. Then there is the joint venture between the Ayala Group and Cebu province which is carrying out a multipurpose development on 23.7 hectares of land that previously had been an airfield. Earlier Cebu province had proposed plans for expanding the Mactan Export Processing Zone and landfill and reclamation work on Mactan Island, but these plans bogged down because of provincial and central government financial difficulties. The Ayala Group may make a positive commitment to these big projects outside Metro Manila later in the 1990s or after the year 2000 [20, May 19, 1991].

2. *Establishing and integrating enterprises*

In this section we will look at the business developments examined above from the vantage point of the enterprise integration (see Appendix Figure 2). The features of this period were: (1) the Ayala Group's use of joint capital subscription methods with other large foreign and domestic enterprise groups to raise the skyrocketing volume of capital needed to develop its succession of huge, expansive business projects; (2) the partial opening of stocks in the group's existing subsidiaries to public offering; and (3) this reorganization was linked with the establishment of new holding companies in some of the sectors where the Ayala Group carried on business.

The cost of developing the Laguna Technopark was estimated at 1.2 billion pesos. Ayala Land provided a major capital subscription of 51 per cent while Mitsubishi Corp. and Kawasaki Steel Corp. each put up another 19.5 per cent. In February 1988 Cebu Holdings, Inc. was organized with Ayala Land and BPI's subsidiary, Santiago Land Development Corp., each putting up 22.09 per cent for a total of 44.18 per cent of the needed capital, less than a major holding. The remainder was provided by Andres Soriano Corp. and Kuok Philippine Properties, Inc., which each put up 22.09 per cent, and the Asian Bank, a Soriano Group affiliate which provided 11.64 per cent. With its 44.18 per cent the Ayala Group became the largest shareholder, and through the conclusion of contracts which made Ayala Land the managing agents of Cebu Holdings, the Ayala Group secured control over the ownership and management of the new company; nevertheless the major of the capitalization lay ultimately with other shareholders.

Having a holding company for an individual business sector began with the establishment of Ayala Land. This holding company was set up in June 1988, and the real estate subsidiaries and assets owned by the Ayala Corp. were transferred over to the new company. This reorganization separated the group's real estate operations from the parent company. The object of this move was firstly to make the Ayala Corp. purely the parent company of the Ayala Group and secondly to procure capital through the public offering of Ayala Land stock. From the vantage point of the family control over the Ayala Group's parent company however, it would be inappropriate to release more shares in the Ayala Corp. itself to the general public than have already been released. In this regard, the reorganization of the Ayala Corp. which brought about the forcible reduction of the number of directors in order to stabilize family control of the parent company will be discussed later on.

This section will close with a look at the public offering of shares in Ayala Land, the company controlling the real estate subsidiaries and affiliates discussed above. The company's authorized capital is 2 billion pesos: 1.2 billion of this is in *A shares* (with a face value of one peso)[7] which are limited to Filipino ownership only; the remaining 800 million pesos is in *B shares* (also with a face value of one peso) which foreigners can also own. There were 1,086.8 million *A shares* and 432.07 million *B shares* outstanding, and until the general public offering in July 1991, Ayala Corp. accepted payment on practically all of the shares at the face value of one peso per share.

At its public offering 96 million *B shares* were put up for purchase, of which 31 million were shares held by Ayala Corp. which sold at a market price of 26 pesos.[8] The remaining 65 million were unissued shares owned by Ayala Land which were issued at the same market price of 26 pesos per share. Of the 96 million shares on public offer, 38 million were put up on overseas markets; the remaining 58 million were offered on the domestic market. The issuance of the overseas offerings was underwritten by thirteen overseas financial firms and merchant bankers headed by J.P. Morgan Securities Asia while the domestic offering had twelve financial institutions as underwriters with the BPI as lead underwriter.

With Ayala Corp.'s profit of 775 million pesos from the sale of shares accepted at one peso and released at 26 pesos added to Ayala Land's capital inflow of 1,690 million pesos from its market price issuance, both anticipated obtaining much more capital gains through selling at a premium. However, the release was a high market price issuance, and the market was sensing an equity oversupply from the several large-volume public offerings by Kuok Philippine Properties, Inc. and other companies around the start of 1991. Then directly before the release came the massive eruption of Pinatubo. The result of all these was that the premiums failed to meet the companies' earlier expectations. However through their sale of shares and market price issuance, the inflow of capital into both companies reached 2,500 million pesos [8, September 9, 1991], and the Ayala Group intended to use 700 million pesos of this for redeveloping the Ayala Center and another 800 million pesos for the acquisition of land in 1991.

Moreover, with the absorption of three subsidiary companies—Ayala Property Ventures Corp., Las Piñas Ventures, Inc., and Sonoma Properties, Inc., 63 million additional shares were issued from Ayala Land's unissued shares, and this was completed by July 5, 1991 through a swap with the shares of the three companies at the same prices [8, September 9, 1991].

[7] In September 1990, prior to going public, the previous face value of 100 pesos was split at a rate of 100 for 1.

[8] In Ayala Land's stock issuance prospectus, the value of the company's assets as of the end of 1990 were assessed at a rate of one share worth 35 pesos [5, p. 8].

With the above moves, the percentage of Ayala Corp.'s direct and indirect stockholdings in Ayala Land slipped from 98.5 per cent before going public to 90.2 per cent afterwards (88.2 per cent owned directly, 2 per cent held by its wholly owned subsidiary AYC Overseas, Inc.), with 9.8 per cent going to general stockholders. However, the group could keep intact its system of Ayala Corp. selecting all of the directors for Ayala Land [5, p. 5]. One last point about shareholding in Ayala Land—a total of 3 per cent of the company's authorized capital is reserved for purchase by the Ayala Group's directors and by its general employees, both categories allotted 1.5 per cent each.

B. *The Export Manufacturing Business*

The Ayala Group's export-oriented electronic parts production business is built around IMI (Integrated Microelectronics, Inc.) and its three subsidiaries, Electronic Assemblies, Inc., Mitech Corp., and Automated Microelectronics. IMI is the leading company in the Philippine electronic parts production sector and functions also as the holding company for the Ayala Group's electronic parts production business. It was started up in 1980 to assemble semiconductors for export; 80 per cent of the capital subscription came from Ayala Corp. with the remaining 20 per cent coming from Resins, Inc.

The full-scale production of microchips, primarily for shipment to IBM and NCR, accelerated from 1983. In 1985 IMI concluded a technical guidance contract with IBM, the major source of orders for the company's semiconductor production; then at the end of that same year it received U.S.$2.5 million from the World Bank in the form of an apex loan provided only for industrial projects designated by the Central Bank of the Philippines, and with this money IMI drew up plans for introducing new equipment.

In the semiconductor industry companies face severe competition over price and product quality, rapid technological progress, and extreme fluctuations in demand for individual parts. To cope with such an environment IMI has expended a great deal of effort cultivating business with large semiconductor users to maintain a stable rate of orders over the long term [1]. In 1987 the company succeeded in getting orders from NEC of Japan, and at the end of the same year it concluded a long-term contract with Uniden of Japan for the assembly and delivery of semiconductor bases following the latter's large-scale shift of facilities from Taiwan to Manila. This shift was the first large foreign direct investment under the Aquino government. This latter undertaking was expected to cost 21 million pesos; IMI therefore decided to organize a new company for the project, and in 1988 it set up Electronics Assemblies, Inc., a wholly owned subsidiary, which began production in March of that year. Along with the above developments, IMI in February 1987 raised the level of its authorized capital from 75 million to 115 million pesos while its paid-in capital came to 55 million pesos; in June 1988 the latter reached 85 million pesos, and stood at 100 million pesos as of September 1990 [4, 1990 edition]. During this time the 8 : 2 ratio of capital subscription between the Ayala Corp. and Resins, Inc. was maintained, and the emphasis of policy was to reinvest profits and declare dividends in paid-up shares.

In 1989 IMI received orders from Kalok company of the United States to assemble 3.5-inch hard disk drives and from Kyushu Matsushita Electric Co. to assemble recording heads, and production started on these. In 1990, the tenth year of operations, the number of employees reached around 3,800 and a five-year business expansion plan was begun to achieve a sales mark of 2 billion pesos by 1995 [4, 1990 edition]. Aiming to strengthen competitiveness through the modernization of semiconductor production facilities, IMI carried out its U.S.$47 million investment into new facilities by setting up a separate new company. This move was because the many incentives that IMI received from the government came to an end in 1989, and starting up a new export processing company was a means of utilizing to the full the income tax and import-export tax exemptions and other special privileges allowed for six years after the establishment of an enterprise.

This new company was Automated Microelectronics[9] set up in 1991 to produce ICs. IMI Group's annual production of 40 million units in 1990 was planned to be expanded to 100 million units (worth U.S.$15 million) by 1994. At present 12.2 hectares of land are being held in Laguna Technopark pending the construction of a new factory. Also involved in the new company are the Japan Asia Investment Co. which put up 20 per cent of the capital, and the International Finance Corp. which invested U.S.$2.6 million (a 15 per cent share) and also provided financing worth U.S.$9 million. Once the company's operations have stabilized and business becomes established, the intention is to put a portion of its stocks up for public offer [3, May 1991, p. 2].

C. *The Foods Business*

The Ayala Group's entry into the agribusiness began in 1981 when Enrique Zobel, then head of the group and a man with deep insights into agriculture and cattle raising, purchased Pure Foods Corp., a meat company, along with a coconut plantation-cum-livestock farm. Pure Foods grew into Ayala Group's treasure trove enterprise while the latter grew into a company mass-producing high-yielding variety corn. Looking first at Pure Foods—this company was set up in 1956 by J.H. Ng, a locally born Chinese and large supermarket executive, to produce hot dogs and other meat products. In 1961 he turned the business over to other prominent businessmen; then in 1965 the Ayala Group became the biggest stockholder. With a 13 per cent capital subscription and technical assistance in 1972 from the American company G.A. Hormel, Pure Foods diversified further into pork processing, then it entered into the production of canned tuna for export to the United States [14, pp. 105–8]. In 1981 the Ayala Group formally made this its subsidiary buying up shares owned by other domestic investors and thereafter vigorously pushed a diversification strategy which during the next ten years turned Pure Foods into the Philippines' third largest general foods company behind only San Miguel and RFM corporations.

In 1984 Pure Foods entered the broiler chicken business; then in 1986 it moved into shrimp farming and processing for export to the Japanese market. At the end

[9] Concerning Automated Microelectronics, see [3, May 1991, p. 4].

of the 1980s the company entered the wheat flour–milling business; in February 1991 it completed a new mill with an annual production capacity of 137,500 tons, and during that same year it aimed at securing a 12 per cent share of the market [19 and 16, February 18, 1991].

Meanwhile in 1982 Pure Foods had entered the fast-growing fast-food restaurant industry market opening its "Smokey's" chain which sold mainly hot dogs. From 10 outlets in 1985 it expanded into a chain of 152 outlets by 1990 with sales of 100 million pesos [3, November 1990, p. 3]. Then in July 1991 the company purchased the Coney Island fast-food chain, the country's number two ice cream marketing chain, from Seamark Enterprise Corp. [20, July 20, 1991] [18, August 3–9, 1991].

From 1989, while the above diversification was taking place, Pure Foods carried out a three-year investment plan to modernize equipment and facilities. Six hundred million pesos was invested into facilities for the continuous processing of broiler chickens from breeding the chicks to processing the broilers; 120 million pesos was invested into plants for tuna canning and frozen shrimp; and another 100 million pesos was invested into meat processing [7, July 21 and September 8, 1991]. The company's broiler operations anticipated expanding production from its 18 million birds processed in 1989 to 53 million during 1991, and although Pure Foods had entered this business only in 1984, by 1991 it was battling Vitarich company for third place, behind only San Miguel and RFM. With the expansion of its broiler-processing capacity and the upgrading of its feed production capacity that has come with the building of its new flour-milling plant, Pure Food's broiler output is expected to continue increasing.

In its meat-processing operations, Pure Foods improved its capacity to supply and process fresh and canned meats, and as of November 1990 the company had captured market share of 50.2 per cent for hot dogs (RFM 26 per cent), 44.6 per cent for ham (RFM 18.7 per cent), 53.7 per cent for bacon (RFM 27.1 per cent), and 53.3 per cent for cold cuts (RFM 30 per cent); in canned meats it had taken market shares of 47.5 per cent for corned beef (RFM 18.7 per cent), and 45 per cent for sausages (Philips Corp. 30.6 per cent); thus Pure Foods with its leading products held around half of the domestic market [3, November 1990, p. 3]. At the same time the company has increased the scale of its hog- and chicken-raising operations with its sixteen farms and breeding facilities most of which are located in Laguna and Batangas provinces, and having taken on a significant number of contract farmers, Pure Foods has steadily pushed ahead its backward integration [21, p. 16]. In 1989 Pure Foods tuna-canning and frozen shrimp businesses were integrated into the company's newly set up export division indicating all the more clearly their positions as agribusinesses specializing in export processing [4, 1989 edition, p. 14].

One more of the mainstays in the company's agribusiness is the production of high-yielding variety seeds. In August 1981 Enrique Zobel set up the Ayala Agricultural Development Corp. (AADC) which entered into the mass production and marketing of high-yielding corn seed using seeds supplied by the American multinational seed company, Pioneer. Taking over a coconut plantation company and a stock farm company, the Ayala Group merged the two as AADC which is now undertaking copra production as well as livestock breeding [1, p. 12]. The number of farmers who use improved corn seed produced by AADC and the area under cultivation has steadily expanded, and production rose from 1,056 tons (about 25,000 households, 55,000 hectares) in 1987 to over 3,000 tons in 1990, representing one quarter of the corn production nationwide (and one-tenth of the area under cultivation).[10] Also in 1990 AADC began experimental rice cultivation as a step toward entry into the production of rice seed [3, August 1990, p. 3].

D. *The Finance and Insurance Business*

The Ayala Group's financial and insurance businesses have not only been a highly profitable sector for the group, they have also played a large role as suppliers of short- and long-term capital. The group's financial operations, as shown in Appendix Figure 2, are made up of BPI and its more than ten subsidiaries, ranging from a universal bank, investment firms, finance companies, and merchant banks to a securities business, all of which fulfill a variety of financial functions. BPI was set up in 1851 making it Southeast Asia's oldest private commercial bank with an illustrious history that goes back to its start under Antonio de Ayala (1805–76) one of its first directors. In recent decades fierce competition has arisen with foreign multinational banks and the newly established large-scale banks of the Filipino-Chinese. BPI succeeded in the battle for the top spot among private universal banks owing to its aggressive mergers and absorptions especially the large ones of the first half of the 1980s.[11]

BPI's expansion and rationalization began in June 1974 with the purchase of People's Bank & Trust and with Morgan Guarantee Trust's 20 per cent capital subscription in BPI. These moves were in line with Marcos's policy of expanding the scale of the Philippine banks through mergers to promote universal banks having the functions of commercial banks and investment companies. In accordance with this policy, BPI in 1981 bought up Commercial Bank & Trust to augment its commercial bank functions, and it absorbed the Ayala Group's investment company, Ayala Investment & Development, making BPI the country's number seven universal bank [9, pp. 185–87]. Then in 1984 BPI bought up Family Bank & Trust, the country's largest savings bank, bringing that bank's deposits and network of numerous branch offices under BPI's umbrella [14, pp. 43–45].

Thereafter the mergers and absorptions were not on the scale of those that took place above. Rather BPI increased its computer operations and installed more automatic teller machines as part of its continuing administrative rationalization under the technical and administrative guidance of Morgan Guarantee Trust. As of 1990 BPI had 138 branch offices (71 of them in the Metro Manila area), and BPI Family Bank (the renamed Family Bank & Trust) had 125 branch offices (with 57 in Metro Manila) for a total of 263 [6, pp. 40–44].

10 To cope with this growth, in 1990 the area of seed cultivation was expanded from 300 hectares to around 1,000 hectares [3, September 1990, p. 4].

11 See [9] which is a detailed history of BPI. For BPI's later mergers and absorptions, see [14, pp. 42–45].

BPI's strength lies in its trustworthiness and the depth and strong sense of tradition of its management. Added to these are the many affiliated companies notably BPI Family Bank. The all-around strength that BPI now possesses has made it a universal bank in the truest sense of the word.

This all-around strength is also supported by the group's insurance business, and at the end of 1990 a holding company, Ayala Insurance, Inc., was set up for this area of business. It is the group's number three holding company following those for the real estate and hotel businesses. Along with this holding company the Ayala Group's insurance business is made up of the following three companies: Ayala Life Assurance, Inc. which is the second largest life insurance company in the country; FGU Insurance Corp. which is the Philippines' third largest non-life insurance company; and Universal Reinsurance Corp. which is the largest reinsurer in the country.[12]

III. AYALA FAMILY OWNERSHIP AND MANAGEMENT

A. *The System of Controlling Subsidiaries and Affiliates*

At the present time basic business policy and strategy for the Ayala Corp., the Ayala Group's parent-cum-holding company, is decided by a seven-member board of directors while implementation of such policy and strategy is in the hands of the president, Jaime, five senior vice presidents and fifteen vice presidents.[13] However the board of directors does not meet very often, and the actual functions of the board seem to be carried out by a three-man executive committee which meets weekly.

The members of the board of directors as of April 1991 were: Jaime, chairman of the board; Renato L. de la Fuente, a senior vice president and corporate secretary; Aristón Estrada, Jr., a senior vice president and board treasurer; Toshihiro Koizumi, a director and general manager of Mitsubishi Corp. (Tokyo); Javier J. Nepomuceno; Hiroshi Yoshibe, general manager of Mitsubishi Corp.'s Manila office (until March 1991 the general manager had been Shinji Suzuki); and Jaime's eldest son Jaime Augusto, a vice president and Ayala Corp. comptroller.[14]

The three-man executive committee was composed of Jaime, committee chairman, Estrada, and Yoshibe (with Jaime Augusto and Koizumi participating as alternate members). The five senior vice presidents were: Fuente; Estrada; Renato G. Buhain, president of Pure Foods; Francisco H. Licuanan III, president of Ayala Land; and Xavier P. Loinaz, president of BPI.

A management committee where group management affairs are discussed for decision making has been set up in the Ayala Corp.; as of April 1991 its nine-person membership was made up of Jaime, Jaime Augusto, the five senior vice

[12] Lachica [2] provides a detailed history of these insurance companies.

[13] The information that follows is from Ayala Corporation [4] as well as from the author's interviews. Any mistakes that appear are due solely to the author.

[14] A comptroller is different from an auditor who supervises a company's internal finances and accounting and is closer to being a vice president in charge of accounts.

presidents, Filemon T. Berba, Jr., a parent company vice president and IMI company president, and Mercedita S. Nolledo.[15]

With two family members on the management committee, it is clear that the Jaime Zobel family is most closely connected with the decision making of the Ayala Corp. Following the Ayalas is the Mitsubishi Group which has put up a 20 per cent capital subscription into the parent company and which has people on the board of directors and the executive committee; however its people do not participate at all as senior vice presidents or on the management committee.

The foregoing discussion has set out the organizational structure of the Ayala Corp. The next question is how this structure controls the decision making and implementation of the subsidiary and affiliated companies. The first means of control is through the appointment of directors to these companies in proportion to the share of stocks held, as shown in Appendix Figure 2. Where the Ayala Corp. sends two or more directors to a given company, the senior among these is designated as the lead director, and as such he plays the primary role in representing the Ayala Group's interests in the decision making of the board of the given subsidiary or affiliate, or where a company has an executive committee, in the decisions of that committee.

Lead directors are appointed to each of the Ayala Group's five main areas of business, and as a general rule they are professional managers with specialized knowledge and experience in each area. These people and their areas of appointment as of April 1991 were: Jaime, banking; Estrada, insurance; Licuanan, real estate; Buhain, foods and agribusiness; and Berba, export manufacturing and services. As a rule these five people are appointed as the lead directors of the boards of directors or as the heads of the executive committees of the subsidiary or affiliated companies within the business areas each of the five is responsible for.

The second means of control is having the lead director also fill the key post of president of the company which is central to the business area he is responsible for. This post is extremely busy, and for this reason the lead director is usually not posted concurrently as the president or vice president to other subsidiaries and affiliates in his area of responsibility (the only exception being the theater management company). Instead professional managers other than the lead directors are appointed as the presidents of these subsidiaries and affiliates, and these people too usually are not posted concurrently to different companies.

The third means is through the comptrollers who function concurrently as chief financial officers (CFOs). The Ayala Corp. has been placing comptrollers-cum-CFOs in its subsidiary and affiliated companies for many years, and their job has been to keep control over the financial affairs and accounts of each company.

The comptroller-cum-CFO of a subsidiary or affiliate has a double duty. As comptroller it is his duty to provide the president of the subsidiary or affiliate where he is working with well-documented reports on the financial state of the company. At the same time, as the CFO appointed and posted to the subsidiary or affiliate by the Ayala Corp., it is also his duty to report the same information

[15] For details of the concurrent appointments of members on the management committee, see Ayala Corporation [4, 1990 edition].

to Ayala Corp.'s president (Jaime) and its comptroller (Jaime Augusto since 1989). Should the comptroller in a subsidiary/affiliate discover discrepancies or negligence in the financial accounts that the president reports to the Ayala Corp., the comptroller himself has the right and the duty to submit a report of the accounts to the Ayala Corp. This system of comptrollers-cum-CFOs is Ayala Corp.'s network for maintaining a grasp on the business affairs of each company, and works as the "eyes and ears" on the Ayalas.

The fourth means, although there are few instances of this, is the one that has been employed by Cebu Holdings where Ayala Land, with its 22.5 per cent shareholding, acts just like managing agents, directly controlling all aspects of the company's affairs.[16]

Through the above four means of control the Ayala Corp. maintains an active interest in the decision making and implementation of its subsidiaries and affiliates. At the same time its employment of senior vice presidents and members of the management committee who are not Ayala family members has promoted the Ayala Corp.'s philosophy of management by highly talented professional managers which has been its tradition since before the war [12, p. 158]. The overwhelmingly high percentage of stock that the Ayala Corp. holds in its group affiliates makes it possible for the controlling family to carry out this kind of bold utilization of capable human resources with confidence and assurance. Within the broad family group centered on the Jaime Zobel de Ayala family branch, there were only Jaime and his eldest son Jaime Augusto who were involved at the center of Ayala Corp.'s management as of April 1991. Jaime's second son, Fernando (born in 1960), was entrusted with the important job of redeveloping the Ayala Center, but as of April 1991 he was not yet a member of Ayala Corp.'s management committee. The professional managers who have become Ayala Corp. senior vice presidents are almost all people who have been actively involved in the Ayala Group's affairs since they were vice presidents in the 1970s.

B. *The Ayala Family's Central Control*

Despite the enormous development and expansion that the Ayala Group has experienced during the past decade, control over the ownership and management of the Ayala Corp., the holding company at the summit of the group and the central organization of decision making and implementation, has steadfastly remained with the Ayala family group, and during the Aquino period one can discern that the family group further strengthened its control over the parent company.

Until 1989 there were eleven members on Ayala Corp.'s board of directors and five members on its executive committee. But an incident starting in 1987 brought on by an ethnic Chinese businessman, Alfred Ramos, who attempted to corner the stocks in Atlas Consolidated Mining & Development Corp., the preeminent company of the Soriano Group, prompted the Ayala Group to consider reducing the number of board members from eleven to five directors, and

[16] See Koike [11] regarding this fourth means of control.

the decision to do so was taken at a general meeting of stockholders. But Henry Sy, an ethnic Chinese and owner of the Philippines' largest supermarket chain, took the lead in strongly opposing the move as being detrimental to the interests of the small and medium stockholders. The chairwoman of the Securities and Exchange Commission (SEC), Rosario N. Lopez indicated her unwillingness to approve such a drastic reduction in the number of directors.

The Ayala Group and the SEC remained at odds over the issue for a long time but finally reached a compromise at seven directors. The outcome of the board's reduction was that the selection of directors from other than the Ayala or Mitsubishi groups in effect became almost impossible. Meanwhile the executive committee was reduced from five to three members while one of the two alternate members was to come from the Ayala family and the other from Mitsubishi. The one from the Ayala family was Jaime Augusto, the comptroller-cum-CFO of the Ayala Corp., who succeeded Alfonzo P. Garcia, Jr. in 1989. The reduction of the executive committee strengthened the influence of the Jaime father-and-son team as the center of the Ayala Group.

Turning next to an examination of the Ayala Corp.'s structure of ownership, after the war the actual majority ownership of holdings in the Ayala Corp. belonged to Mercedes Zobel de Ayala y Roxas, who had inherited the Makati land tract, and her husband, Joseph R. McMicking, who began developing the tract, but ownership was in the name of Mermac, Inc. which is still maintained today.

In 1968 Ayala Corp. was reorganized and changed from a partnership into a joint stock company; then in 1973 the Mitsubishi Group came in as a 20 per cent shareholder, and in 1976 the company went public. Mermac was organized at the end of March 1960; its five incorporators were all Filipino nationals, and three of the five were Ayala family members (Alfonso Zobel [1903–67], Enrique Zobel, and Jaime). Mercedes and her husband were not part of the group as they had never acquired Filipino nationality, and their participation would have been in conflict with provisions of the Nationalization Acts. McMicking introduced a system of retirement at age 60, and himself born in 1908, he retired from the company in 1968. Thereafter he and his wife withdrew from direct involvement in company affairs and spent their retirement living in the United States and Spain. Meanwhile Alfonso had passed away in 1967; neither the size of his shareholdings nor who inherited them has been made known, but with McMicking's retirement in 1968, a new company was organized, Enjay, Inc. The five incorporators of the new company were all Filipino nationals, three of whom were Enrique, Jaime, and Nepomuceno. The company took its name from the initials of the first two men, and though its purpose was that of an investment company, it would seem that it was organized as a holding company first for Ayala Corp. and then also for Mermac.

The political events coming with Marcos's declaration of martial law in September 1972 and the expiration of the Laurel-Langley Agreement in July 1974 strengthened crony capitalism. The long-standing Lopez Group fell into the hands of Imelda's siblings. To avoid a similar fate, the Ayala Group in 1973 brought in a 20 per cent capital subscription from Mitsubishi Group which would check any further moves by Marcos people and opened the way for mutual collaboration in business.

Mercedes and McMicking had no children, and after retiring McMicking threw his support behind Enrique and Jaime and assisted the Ayala Group, while Mercedes, as head of the tradition-filled Roxas, Ayala, and Zobel family branches seems to maintain strong influence over the Ayala Group.

CONCLUSION

The Aquino period was a time when the Philippines along with the rest of the ASEAN countries turned their attention to export-oriented industrial strategy. During this period the Ayala Group actively invested in the relatively new business area of export-processing manufacturing, but the group's base still lay in real estate and in finance and insurance. The expertise that the Ayala Group possessed in these areas was brought together in the development of export-processing industrial estates in collaboration with the Mitsubishi Group. Reform in the management structure of the group's subsidiaries and affiliates took place as professional managers having no blood relationship to the Ayala family were placed in the top positions of these companies; at the same time however, Ayala Group has remained a classic real estate and financial zaibatsu with control firmly in the grasp of one family.

In August 1990 Joseph McMicking, age 82, passed away in Spain.[17] It is not known how his holdings in Mermac were passed on to Jaime and the others of his generation. At present Mercedes is in good health, but one day this is certain to change. As this generational transition progresses, what is the outlook for the composition of personnel at the center of control over the ownership and management of Mermac and Enjay? The board directors and the executive directors of both companies were exactly the same people around 1990. The five board directors were Jaime, the chairman of the board, his two sons along with Fuente and Estrada, while the three-man executive committees of both companies were headed by Jaime with Fuente as secretary and Estrada as treasurer.[18] The structure that emerges from the above is one where Ayala Corp.'s ownership and its decision making are in the hands of Mercedes and Jaime and his sons, family control typical of a zaibatsu, while assisting them in financial and secretarial affairs which required adequate professional knowledge are professional managers having no kinship to the Ayala family but in whom the family places the greatest trust and confidence.

In this way the Jaime Zobel de Ayala family along with Mercedes Zobel de Ayala y Roxas have kept their hold on the centers of ownership and management while at the same time by making every effort to employ trained human resources in the decision making and executive positions of the group's companies, they

[17] Ayala Corporation [3, Special issue, October 8, 1990] provides a synopsis of McMicking's business achievements.

[18] The directors and committee members for Mermac were as of the end of March 1990; for Enjay they were as of the end of March 1988 [15, 1989 and 1990 editions].

have succeeded in raising the morale and efficiency of the non-family members within the group's executive ranks, and they have been able to attract talented people which has kept the Ayala Group in the first ranks of the Philippines' corporate conglomerates.

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APPENDIX TABLE I

Major Industrial Estates Located in CALABARZON

A. Laguna Technopark, Sta. Rosa, Laguna: 344 ha (factory site 223 ha covering 50 ha SEPZ), P1,260 million.[a]

Phase 1 (86 ha) completed in December 1990 and sold out.

Phase 2 was launched in December 1991.

Developed by Laguna Technopark, Inc.

Owners: Ayala Land, Inc. (Phil., 51%), *Mitsubishi Corp.* (Japan, 19.5%), Kawasaki Steel Corp. (Japan, 19.5%), and Yulo and Locsin families (Phil., 10%).[b]

B. First Cavite Industrial Estate, Dasmariñas, Cavite: 154.5 ha (factory site 117 ha covering 41 ha SEPZ), P810 million.[a]

Groundbreaking started in 1989.

Phase 1 (47 ha) was scheduled to be completed by January 1992; 21 ha was sold out by August 1991.

Phases 2 (32 ha) and 3 (35 ha) are planned to be completed by the end of 1993.

Developed by F.C.I.E. Inc. (P190 million).[c]

Owners: National Development Co. (Phil., 60%), *Marubeni Corp.* (Japan, 32%), and Japan International Development Organization (Japan, 8%).

C. Laguna International Industrial Park, Biñan, Laguna: 113.4 ha (factory site 89 ha), P570 million.[a]

Phase 1 was scheduled to be completed by October 1992.

Selling of lots started from October 1991.

Developed by L.I.I.P. Inc.

Owners: Samsung Group (Korea, 40%), Solid Corp. (Phil., 22.5%), and Interstar Holdings (Phil., 22.5%).

D. Gateway Business Park, General Trias, Cavite: 160 ha (SEPZ 26.3 ha), P1,040 million.[a]

Phases 1 (90 ha) and 2 (70 ha) were scheduled to be completed by September 1991, and selling of lots started in March 1991.

Developed by Gateway Property Holdings, Inc.

Owners: De Los Reyes family (Phil., 60%), First Pacific Land (Hong Kong, 20%), Sinal Mas Group (Indonesia, 15%), and Ometraco Group (?, 5%).

In September 1991, *Sumitomo Corp.* announced its intention to invest as lot-selling agent in Japan.

E. Light Industry and Science Park, Cabuyao, Laguna: 143 ha (factory site 106 ha including 33.4 ha SEPZ), P410 million.[a]

Phases 1 (50 ha) and 2 (47 ha) were completed by the middle of 1991.

Phase 3 was planned to be completed in 1993.

Developed by Science Park of the Philippines, Inc. (P150 million).[c]

Owners: Far East Bank & Trust Co. Group (Phil., 57%), Philippine American Life Insurance Co. (U.S.A., 15%), *Mitsui & Co.* (Japan, 10%), and others (18%).

F. Carmelray Industrial Park, Canlubang, Laguna: 511 ha (factory site 351 ha including 28 ha SEPZ), P1,920 million.[a]

Phase 1 (95 ha) was completed and sold out by January 1992.

Phase 2 (135 ha) was scheduled to be developed by the end of 1993.

APPENDIX TABLE I (Continued)

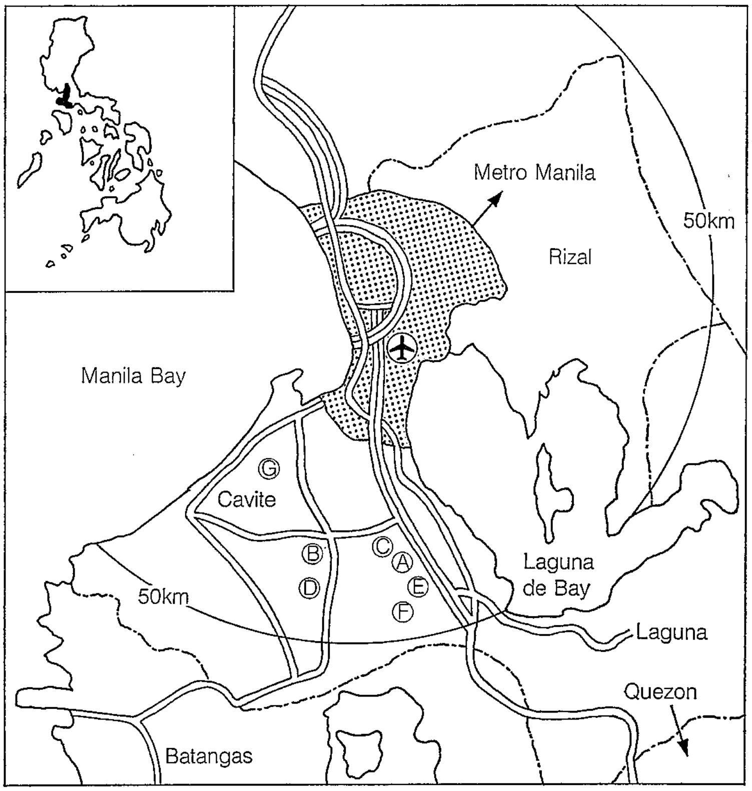
	Developed by Carmelray Development Corp. (P200 million).[c] Owners: Yulo family and Belle Resources Corp. (Phil., 100%). Belle Resources Corp. signed lot sales agreement with *Nissho-Iwai Corp.* in January 1992.
G.	Cavite Export Processing Zone, Rosario, Cavite: 275 ha.[a] Groundbreaking started in 1986. Phases 1 and 2 (72 ha) supplied lots to more than 51 companies as of August 1991. Export Processing Zone Authority started construction of Phases 3 and 4 (30 ha) in December 1991. Phase 5 (44 ha) was to be launched in 1993. Employment in 1991 averaged around 12,000.

Sources: [13] [17, October 23, 1990] [16, April 5, 1991] [8, August 29, 1991 and September 11, 1991] and other newspapers.

Notes: 1. For A, B, E, and F, the data are as of August 1993, and for others as of the end of 1991.
2. Prices of these estates were around P1,400/m^2 as of July 1992.
3. Companies italicized indicate Japanese general trading companies.

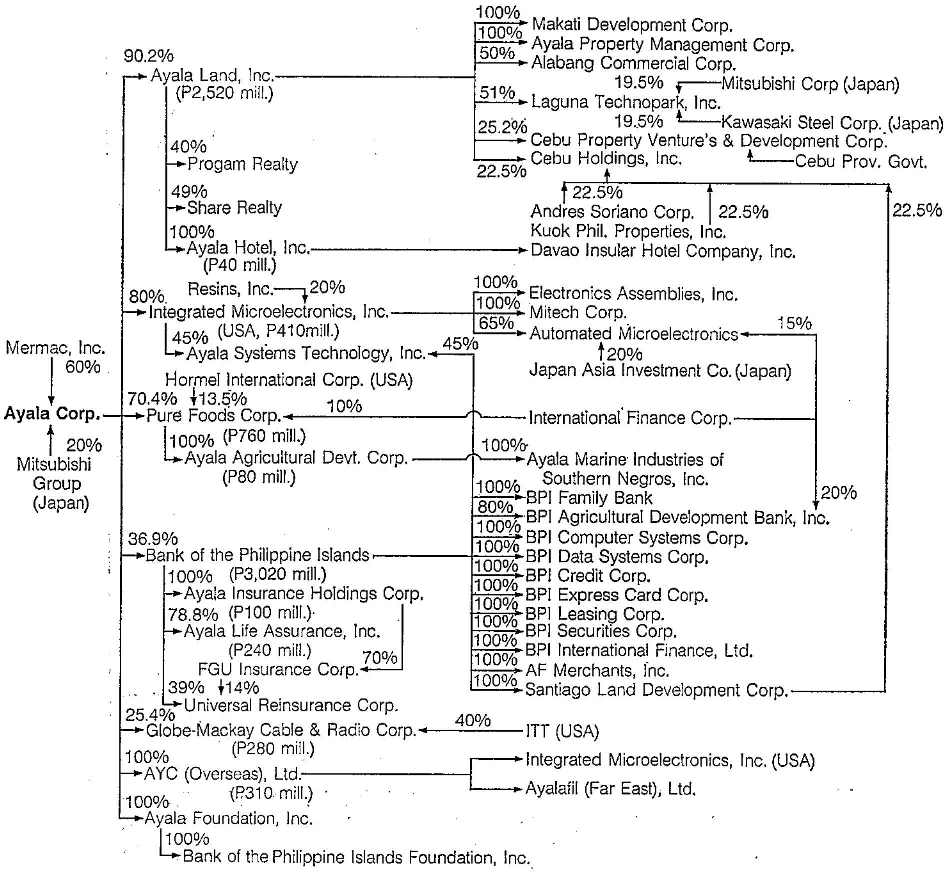
[a] Total costs estimated around the middle of 1991.
[b] Ten per cent owned by the families; sold to Ayala Land, Inc. thereafter.
[c] The capital stocks of the developers.

App. Fig. 1. Locations of the Major Estates in CALABARZON



Note: Ⓐ = Laguna Technopark; Ⓑ = First Cavite Industrial Estate; Ⓒ = Laguna International Industrial Park; Ⓓ = Gateway Business Park; Ⓔ = Light Industry and Science Park of the Philippines; Ⓕ = Carmelray Industrial Park; Ⓖ = Cavite Export Processing Zone.

App. Fig. 2. Ayala Corporation's Shareholdings in the Ayala Group (As of the end of August 1991)



Sources: Drawn up by the author based on information in Ayala Corporation [4, 1990 edition] and other sources.

Notes:
1. The percentage figures indicate the percentage of stocks held.
2. The peso values in parentheses show the value of the company's net assets (valuation as of the end of 1990; one peso equal to about U.S.$0.036).
3. The country names in parentheses indicate the nationality of the foreign companies.