



UN
Volunteers

New Academy of Business



Enhancing Business-Community Relations

Davao Light and Power Corporation Case Study



by Charmaine Nuguid-Anden¹

September 2003

www.new-academy.ac.uk

www.pbsp.org.ph

www.unv.org

Contents

1. Introduction.....	2
2. Case Background and Context	3
3. The First Spark... ..	4
4. Lit Up a Corner	4
5. And the Light Grew Brighter... ..	5
6. Darkness Diminished	5
7. Effects on the Bottom Line.....	6
8. As the Light Did Good... ..	6
9. And the Light Blazes On	7

Davao Light and Power Corporation

Research Project Background

This case study is one of ten that were chosen as part of the ‘Enhancing Business-Community Relations’ project in India implemented in collaboration with Philippine Business for Social Progress (PBSP). These cases document examples of engagement between businesses and communities and can be used as learning tools for the promotion of responsible business practice and sustainable development.

The Enhancing Business-Community Relations project is a joint international initiative between United Nations Volunteers (UNV) and the New Academy of Business. Implemented in seven developing countries, the purpose of the initiative was to collect and document information on business-community practices as perceived by all stakeholders, build partnerships with them and promote corporate social responsibility practices. It is also intended to enhance international understanding of business-community relations through information sharing and networking with other countries especially those participating in the project - Brazil, Ghana, India, Nigeria, Philippines, South Africa and Lebanon.

The findings and recommendations reflected in the case study are those of the author and do not necessarily reflect those of UNV, PBSP or the New Academy of Business. It is important to note that these cases were written as examples of business-community initiatives. They do not constitute a comprehensive assessment of the company’s social responsibility.

1. Introduction

The Street Lighting Program is a novel partnership between the Davao Light and Power Company and the City Government of Davao aimed at decreasing the level of criminality and projecting a secure and world-class city. The city was solely responsible in installation, distribution, maintenance and repair of the streetlights, including the assessment of which communities were in most need of light. The company donated sodium bulbs and assemblies and other equipment that the City Government needed to implement the program and provided technical assistance through employee volunteers and casual staff.

The crime rate in pilot areas decreased significantly. According to most stakeholders (i.e., barangay² leaders, trade officials, city planners, police officers), the project significantly contributed to the overall safety of the city. It had its greatest impact on the tourism industry, as several communities were able to open up commerce, transport and recreation facilities even until late into the evenings.

The success in the pilot areas became the basis for replication in the other parts of the company's franchise area with the local government's capacity to support the program as a key consideration. From 1996-98, DLPC donated approximately 33,000 sets of streetlights costing Php132 million (approx. US\$ 4.4 million) and provided technical assistance to the City.

2. Case Background and Context

Davao Light & Power Company is a power distribution company exclusively serving Davao City and the municipalities of Carmen, Dujali, and Sto. Tomas as well as Panabo City in Davao del Norte. The company has a regular workforce of about 380 persons, and hires a sizeable number of non-regular staff mostly for rural electrification projects. As of year 2000, DLPC's State customers number 225. Residential customers were about 161,430, with a total consumption of about 26,285,376 kWh and approximately over 16% coming from outside Davao City.

It is a subsidiary of the wholly-Filipino owned Aboitiz Group of Companies and is the third largest privately owned utility. Prior to the Electric Power Industry Reform Act of 2001 (Republic Act 9136) it served as the power distributor monopoly in these areas, and also operates mini hydro plants and a standby diesel plant - one of the few utilities in the country with such capacity. R.A. 9136 aims to promote competitiveness in the power industry through deregulation and opening up ownership of utilities to the general public.

Davao City, known as the largest city in the world in terms of land area (2,440 sq. kms.), has a diverse topography ranging from urban cityscape to mountains and forest areas. Davao City has 180 barangays and eleven political districts, and the City Proper itself covers less than 10 percent of the whole city. The population is roughly 1.2 million people or a population density of 491 person/sq. km. which is a far cry from Metro Manila's seven million population.

Despite the relatively low crime rate 7.37 cases per 100,000 as of 2000, the reputation of this city has been marred by the general image of Southern Philippines as a dangerous place beset with insurgency, mistrust between Christian and Muslim population as well as those committed by purely lawless elements who took advantage of the decades old Moro-Christian conflict. As a seeming hotbed of violent upheavals during the insurgency years, economic activity in the city was sluggish. Poverty was rampant and there were very limited economic options for the people. For businesses that bravely chose to remain in the area, chances for expansion were poor and the cost of ensuring security of life and property directly affected the bottom line. Poor infrastructure in terms of roads, power and communications outside Davao City's more urban centre strongly contributed to the paralysis felt by both business and communities alike.

The City Government of Davao was affected as revenues did not match the potential of the whole city. Davao City hosts the financial and educational centres of Southern Philippines (Mindanao Region) and serves as the gateway to the East ASEAN Growth Area (EAGA)³ Because it is outside the Southeast Asian Typhoon Belt with wide expanse of fertile land, Davao City has untapped potential for commercial agriculture and forestry. It also boasts many natural and cultural resources for ecotourism.

Executives of Davao Light & Power Company (DLPC), the exclusive power distributor in the area, the perceived poor reputation of the city not only directly affected the company in terms of narrowing its own investor pool, but also limited potential revenue growth as risk-fearing investors. Essentially, DLPC's client base was largely residential, clearly showing the strong need for good community relations by the company. The company's rural electrification program in effect was a way to increase its customer base in the far-flung communities of Davao. However this could not compensate for the need to obtain more corporate customers.

The small budget obtained from a relatively meagre Davao City income was not enough to address all issues related to peace and order (e.g. infrastructure, police services upgrade, etc.) According to the Police Department, projecting a sense of security was needed as well which could very simply be answered by lighting up identified security-critical places. In 1993 the City Government started conceptualising this innovative crime prevention and tourist attraction plan, settling on the installation of bright sodium bulbs as these were more durable than traditional fluorescent lamps

and could be seen even during foggy nights. This became the seed for a partnership between DLPC and Davao City aimed at igniting a massive lighting program that would extend to the remotest areas of the city.

3. The First Spark...

In response to the city's call, the senior management of Davao Light started brainstorming on how the company could assist the city through the procurement of sodium lamps. In 1993, the acquisition cost of one complete sodium lamp assembly was PhP19,000.00 (US\$ 678.57). In 1996 when the street lighting program was started, Davao Light, in partnership with Florida Electric, was able to obtain brand new surplus sodium lamps that only cost PhP8,000.00 (US\$285.71) per set. This was further discounted to half the price. With the supply of bulbs assured, the City Government through then Mayor Rodrigo Duterte and DLPC through Executive Vice President and Chief Operating Officer (COO) Alfonso Y. Aboitiz entered into a Memorandum of Agreement (MOA) on 28 November 1995. The City Government was primarily responsible for identifying the communities most in need of light.

Under the MOA, the company donated sodium lamp bulbs, brackets and assembly and a utility vehicle with a hydraulic basket for the use of the city for maintenance purposes. The company also agreed to donate additional bulbs for replacement purposes until the end of 1998, as well as provide technical assistance to the city for maintenance of equipment and consumables. The city became solely responsible for the distribution, installation, maintenance and replacement of all streetlights. The city was also responsible for all applications by the communities for streetlights and also for payments of the electricity charges. Finally, the city pledged to provide a weekly status report of installed streetlights to the Company.

The city identified as priority areas those barangays the crime rate of which were risky to locals and foreigners, namely the Agdao to R. Castillo and Quezon Boulevard areas which were just within the periphery of the city. "Recipient communities were also given responsibilities in order for them to feel that they are not just beneficiaries but stakeholders of the project as well," according to Vic Sumalinog, the Community Relations Officer of DLPC. Communities have to monitor and report defective units to their local leaders who have to report this to the city's streetlighting staff, as well as maintain the units by trimming tree growth that could impede the light coverage. The community officials also have to implement security measures to ensure that bulbs would not be stolen.

4. Lit Up a Corner

In 1996, Brgy. 22C Piapi in Quezon Boulevard had the reputation of being one of the worst barangays in Davao City in terms of criminality. Prior to the streetlighting program it had a crime rate of 20% or 2 to 3 incidences every month, statistics at the police office disclosed. In the first three months of the installation of mass lighting in the said barangay, the crime rate went down to 10 percent monthly average. The police looked at the light installation as a major factor in their increased capability to respond to call for police assistance from residents in previously unlit areas.

DLPC's Legal Department and its Transmission & Distribution Division, provided volunteer technical assistance such as negotiation and drafting of the MOA, initial installation of the bulbs and the training of Davao City staff in installation, repair and maintenance of the units. The company's Community Relations Department developed information dissemination and public education program for the people's project awareness including TV, print and radio, which allowed

not only the company but also the city to present prompt information regarding the streetlighting to the general public.

In 1996 alone, the streetlighting program installed over 1,400 sodium lamps in three phases and almost simultaneously. While the good majority was very happy about the illumination of the city in agricultural areas, farmers were less exuberant. Plants and crops located near the streetlights grew slowly. Department of Agriculture technicians said sodium light hampers the maturation process. On the advantage side, the activity generated direct employment as the project created a streetlighting unit in the City Government's employ. Sub-contractors for related services were also hired by the local government. These positive results were felt within the first six months of the streetlighting program, thus bolstering the resolve of the city and DLPC to implement the program city-wide.

5. And the Light Grew Brighter...

Due to the success of the program, DLPC after the term of the MOA in 1998 continued the project under a new lighting plan developed in consultation with the City Government. Under this program, barangays or sitios⁴ could go to DLPC directly and apply for streetlight installations. Streetlighting served as the stepping stone for the electrification of a whole community, with the installation of primary and secondary lines, transformers, posts, wires and cables largely shouldered by DLPC upon the request of the barangay. Starting 1998, the company sees the streetlighting project as an expression of its corporate social responsibility.

6. Darkness Diminished

From 1996-98, DLPC donated approximately 33,000 sodium lamp sets costing PhP132 million (approx. US\$ 4.4 million), providing streetlights beyond the numbers originally planned for in the MOA. According to the company's Community Relations Officer, the company was willing to continue sourcing as many bulbs as the city needed.

Also since 1998, streetlighting has become an integral part of the rural electrification program of the company. This is so because the combined program not only gives them light but energised their homes as well. All communities that were recipients of the streetlighting program reported good results. Officials of Tugbok, a district near the City Proper supporting 18 barangays, said that there were increased investments, including the location of large companies such as Vitarich (poultry company) and Purefoods (food manufacturing) that paid about PhP145,000 (US\$2,900) per month in local taxes. Community enterprises sprung up along the lighted areas, and public transport services were extended from 7 P.M. to 3 A.M. Community activities such as sports during the evenings became possible and incidences of civil misbehaviour were reduced. Records at the Local Civil Registration Office, in fact, indicated a reduction in the birth rates of areas served by the streetlighting project in the Tugbok Centre.

Located some 30 kilometers from the centre of Davao City, Barangay Calinan was also one of the initial community beneficiaries. Within the reach of the other 39 barangays from adjoining districts, Calinan was considered strategic by both city officials and DLPC. Barangay Captain Jose Luis Villafuerte recalls that the barangay had originally sought out DLPC for a donation of used computers, another community relations project of the company. Upon consultation with DLPC's Vice President and Chief Operating Officer (COO) Al Aboitiz, the barangay chief found that Calinan was qualified for computer assistance. With the integrated streetlighting/rural electrification program of DLPC, Calinan has prospered into a larger political and administrative sub-unit servicing the local governance needs of all the nearby barangays.

On the whole, most community stakeholders (i.e., barangay leaders, trade officials, city planning officers, police officers) said that the project contributed significantly to the overall safety of the city. These stakeholders attributed about 20% to 80% of the economic progress enjoyed by the relevant communities to the streetlighting project. It had its greatest impact on the tourism industry, as several communities were able to open up commerce, transport and recreation facilities until late into the night. According to Engr. Froilan Rigor of the Office of City Planning, the streetlighting program helped facilitate the image of Davao as an international city with a nightlife that could be compared to Manila or Singapore.

There are perceived downsides though. Farmers with crops near the lights originally thought that an additional bonus had been obtained as rice planted underneath the lamps was growing taller than normal. However, this turned out to be more of frustration as the rice was actually maturing later than normal with very poor harvest results. Farmers though have been taking matters into their own hands by covering the lights with makeshift covers made from plastic and fertiliser bags.

7. Effects on the Bottom Line

The company obtained a return on its investment, as payments by the city to the utility reached a high Php12 million (\$342,857.14) per month in 1998. The City Government recovered additional costs from increased taxes it collected from new businesses that sprung up in the lighted areas. However, the initial zeal of the city to "light up the streets" did have some setbacks.

As the city overzealously accommodated streets clustered near tourism-belt areas, some barangays were left out which the city had to reallocate in 2001-2002 but not without some protest from the initial beneficiaries. This nevertheless, did result in some savings for the City Government.

8. As the Light Did Good...

As a community relations program within a business proposition, the communities did not see themselves as beneficiaries but as customers. The communities recognised the earlier donation of bulbs and light stands as well as associated labour were a community relations activity of the company. But in general, people felt that the long-term goals of the company were commercial and therefore they considered themselves to be consumers, or communities/stakeholders with a higher stake. That is, they want to play more significant roles in the identification of areas where sodium lamps should be installed.

This gave both community and the company an even position based on mutual need and gain, albeit limited, as DLPC was still the sole utility serving this franchise area. The company saw the streetlighting and rural electrification program as an opportunity to remain competitive in its franchise area because of the newly enacted Electric Power Industry Reform Act of 2001, which deregulated the power industry. The company believes that its willingness to provide services even to the farthest corners of its franchise area indicated its commitment to its community/customers. The recent electrification of Paquibato District, about 70 kms. from the City Proper at the cost of Php6 million (approx. US\$120,000) is indicative of this commitment. This area can very well be considered as Davao's "last frontier". It used to be the haven of the local communist rebels or the New People's Army (NPA).

The commitment for the program springs from the values that the company espouses. The Vision statement of the company, even though revised in 2000 after the streetlighting program started, clearly shows that the company styles itself not only as a leading corporate entity but as "a

responsible partner on the road to progress and development, essential to our community's collective hope for a better life".

The employment of volunteers for this program indicates that volunteerism is ingrained in the employees. Volunteering has been practised in the company since 1983, and has only recently been named by management as a key strategy to support communities. Recognising that previous efforts were somewhat ad hoc in nature, DLPC is launching a major volunteering project on IT (Information Technology) education. As a unionised company, volunteering activities are co-ordinated through the Labour Management Council (LMC) and is considered a partnership between labour and management – “a common bond between owners and employees to share expertise and resources for the benefit of the community”. While there is no formal Memorandum of Agreement (MOA) on this partnership, the commitment of both management and labour on these activities is enshrined in the latest Collective Bargaining Negotiation Agreement between the union and management.

DLPC conducts several corporate social responsibility (CSR) activities, but the streetlighting program is unique as it is the only program that marries the company's business proposition with its core values, employing the talents of its staff to push forward a project whose benefit to the company does not immediately show. The design of the program clearly indicates that its benefits are more cognate than physically visible. Likewise, the design of the program shows that DLPC not only sees the local government unit (LGU) of Davao City as its partners in terms of responsibilities and stake but the recipient communities as well, ensuring that there is an implied partnership between the two. This suggests that the community is not just a beneficiary of the government and the company, but also an active stakeholder in the actual implementation of the project.

9. And the Light Blazes On

As a community relations program, the streetlighting initiative has been successfully implemented by DLPC. The program has achieved its primary goal of helping to deter crime and its secondary mission of uplifting the communities wherein light was shone. As a partnership between Davao City and the company, the program has been successful in meeting the needs of each party for increased economic activity thus indicating the investment nature of the project.

At the same time, the company must endeavour to strike a balance in the communities between its developmental and business approaches, as the expectations of its community partners and customers continue to grow.

Endnotes

¹ The views expressed in this case study are those of the author and do not necessarily reflect those of the New Academy of Business, UNV or PBSP.

² As the basic political unit, the *barangay* serves as the primary planning and implementing unit of government policies, plans, programs, projects, and activities in the community (Local Government Code of 1991 or Republic Act No. 7160).

³ The ASEAN growth area is a development cooperation among the Philippines, Malaysia, Brunei and Indonesia seeking to do away with the borders of diplomatic bureaucracy.

⁴ Sitios are components of the Philippines' smallest unit of governance – the *barangay* or *barrio*.