

**REPORT BY JULIAN H PAYNE,
PRESIDENT OF THE CANADIAN CHAMBER OF COMMERCE OF THE PHILIPINES
TO THE ANNUAL GENERAL MEETING OF MEMBERS
ON APRIL 27, 2016
AT THE NEW WORLD HOTEL, MAKATI CITY**

Ambassador and Madame Reeder
Trustees and Governors of CanCham
Members of CanCham
Ladies and gentlemen

A good evening to you all.

In accord with the *By-Laws* the President is required to give a report to members at the Annual General Meeting (AGM).

Before giving my report, I wish to recognize the members of the Board of Trustees that you elected at the last 2015 AGM who have served you for the last year in that capacity: Trustee and First Vice President Mercedes Laurel-Marquez, Trustee and Second Vice President Flora Naces, Trustee and Third Vice President Nilo Claudio, Trustee and Treasurer Christopher Bell-Knight, Trustee Roger Dimmell, Trustee Tammy Lipana, Trustee Luigi Lopa, and Trustee Josh Ramos. I also wish to introduce Junie Del Mundo who the Trustees appointed subsequent to the AGM to fill a vacancy.

Lastly we are all sadly aware that Trustee John Ridsdel is no longer with us. I am sure he is in your thoughts with condolences to his family, and in particular to his daughters and to his partner here in the Philippines.

I also wish to recognize the members of the Board of Governors including: Ambassador Reeder (chair), Hon. Consul Katherine Rivera, James Dantow, Jack Gaisano, Doris Magsaysay-Ho, Roger Mandriak, "Jun" Palafox, Celso Vivas, and "Tito" Yuchengco.

This is my seventh annual report. As in the past, my report comprises two parts:

1. **The formal written report** giving a rather bureaucratic-style record and accounting to you about governance and activities of CanCham in 2015. It is a little long even when excluding appendices. I doubt you want to endure me read it tonight. It will be posted on the CanCham website for those having the interest and the time.
2. **This speech** which is not a summary of the written report. It focuses on several topics which I hope are of interest to you and I believe are of importance for CanCham's future.

The specific topics I will address in my speech tonight are:

- Feedback on "Why I am a CanCham member".
- Our dramatically changing membership structure since 2010.
- Where our funds come from ... and what our funds are used for.
- The updated *Vision Statement for 2016-2018*.
- The financial framework needed to sustain CanCham.

“Why I am a CanCham member”

I have received very diverse reasons about why members join CanCham. It has included:

- I want to have and be seen to have an **association with Canada**:
 - As a Canadian business doing business in the Philippines
 - As a Philippine business doing business in Canada
- I want to **support pro-business advocacies**, examples being:
 - To support foreign investment including Canadian investment in the Philippines
 - To support and promote international trade between Canada and the Philippines
 - To advocate better business conditions in the Philippines for foreign business
- I want **information** from CanCham, examples being:
 - About markets in Canada for Philippine goods and services
 - About markets in the Philippines for Canadian goods and services
 - About business conditions, opportunities and regulations in Canada*
 - About business conditions, opportunities and regulations in the Philippines
- I want **advice and assistance** from CanCham, examples being:
 - Setting up a new business in the Philippines and/or up a business in Canada
 - As a Canadian about paying corporate and personal taxes in the Philippines
 - To find a possible Philippines business partner for my new business
 - How to handle requests for bribes
- I want **access** through CanCham, examples being:
 - To Canada-Filipino business associations in Canada
 - To local Philippine business associations
 - To meet with senior Philippine government officials
 - To talk to the Canadian Ambassador
- I want CanCham to **represent** my interests, examples being:
 - To support me in the Philippine industry association dominated by local companies
 - To get an adverse tax ruling by BIR reversed
 - To get my case before the Supreme Court handled quickly
 - To pass information without attribution to a third party
- I want to be a **member of a Canada-related club** to be able to:
 - To hear interesting speakers
 - To participate in social activities
 - To attend Canadian celebrations and customs
 - To meet Canadians
- And other miscellaneous quite personal reasons such as:
 - I want CanCham to recommend a good immigration advisor
 - I want CanCham to recommend my application for a visa to Canada
 - I want CanCham to help me to contact relatives who live in Ontario

In summary the reasons given fall into five (5) distinct categories:

- To have an association with Canada because of business or personal links
- To support general advocacies to improve business conditions
- To get business information about Canada and the Philippines,
- To get access and make representations to assist one's own business.
- To be a member of a club for Canada-related social events and contacts

The challenge is exacerbated as the interests differ in emphasis, if not completely, between:

- Our MCMs, Corporate Members, and Non-Corporate Members
- Members based in the NCR, outside NCR, and outside the Philippines.

In fact we appear to have three different main groups with each having two-three sub-groups with all having significantly different interests:

- Major Corporate Members
 - which are Canadian companies
 - which are Philippine companies
- Corporate Members and Affiliate Corporate Members
 - in the Philippines National Capital Region
 - in the Philippines outside the NCR
 - outside the Philippines in Canada
- Non-Corporate Members
 - in the Philippines National Capital Region
 - in the Philippines outside the NCR
 - Outside the Philippines in Canada

The range and diversity of interests of different groupings of members poses the major management challenge for CanCham. How can we please everybody? In fact we have to please all with diverse activities and services which differ for the various membership groupings. And this challenge has increased with the changing structure of our membership which differs dramatically from what it was less than a decade ago

Our dramatically changing membership structure since 2010

Since 2010 with the establishment of two chapters outside the NCR and an increased diversifying business relations between Canada and the Philippines, the membership structure of CanCham has also increased and diversified. As of March 31, 2016 we now have record numbers of:

- 307 members in total, compared with 216 in 2010
- 22 Major Corporate Members (8.9%) compared with 15 in 2010
- 116 members in the Philippines outside the NCR (38.1%) compared with 56 in 2010
- 6 members in Canada (8.5%) compared with 4 in 2010

Also of note is that those based in the Philippines are also diversified:

- 16 are based in Luzon outside the NCR (5.2%) compared with 2 in 2010
- 60 are based in the Visayas (19.9%) compared with 56 in 2010
- 40 are based in Mindanao (13.0%) compared with none in 2010

Finally in dramatic change from 2010 when virtually all members were in the NCR, we now have just 53.4% based in the NCR with 46.6% based outside the NCR in the Philippines and Canada.

| Membership category | NCR | Luzon (x NCR) | Visayas | Mindanao | Outside PHI | Totals |
|---------------------|--------------|---------------|--------------|--------------|-------------|-------------|
| Major Corporate | 6.8% | - | 0.3% | - | - | 7.2% |
| Corporate | 31.9% | 1.6% | 16.0% | 5.5% | - | 55.0% |
| Non-Corporate | 11.7% | 2.9% | 2.9% | 6.8% | - | 24.4% |
| Aff. & Students | 2.9% | 0.7% | 0.7% | 0.7% | 8.5% | 13.4% |
| Totals | 53.4% | 5.2% | 19.9% | 13.0% | 8.5% | 100% |
| | 53.4% | | 38.1% | | 8.5% | |
| | | | 46.6% | | | |

Where our funds come from ...

CanCham receives no financial support from any government. As a non-profit organization it is supported entirely by the private sector. This is to the credit of the private sector and is critically important because it enables us to be independent and, equally important, is an indication of market success in serving our members. If we do not satisfy our members we lose our members ... and we lose the financial support that comes with them!

Our sources of income have also grown and diversified since 2010, with these now being:

| | <u>2016 Budget</u> | <u>2010 Actual</u> |
|--------------------------------|------------------------|-------------------------|
| • Major Corporate Members | Php 3,412,500 (35.6 %) | Php 1,994,520 (28.2 %) |
| • Fund raising events (net) | Php 2,220,000 (21.8 %) | Php 1,165,197 (16.5 %) |
| • Corporate | Php 2,195,000 (21.6 %) | Php 1,795,905 (25.4 %) |
| • Non-Corporate | Php 920,800 (9.1 %) | Php 358,850 (5.1%) |
| • Affiliate members & students | Php 172,000 (1.7 %) | Php - (0.0 %) |
| • Tariffs for events/services | Php 1,243,000 (12.2%) | Php 1,749,977 (24.8 %) |
| Total gross revenue | Php 10,162,500 | Php 7,064,449 |

The bottom line is a total of Php 7,827,500 (77.0%) of our funding is derived from MCMs, Corporate Members and special funding-raising events. So it is the interests of these three groups we have to first accommodate. And of note, in recent years, we have been more successful in attracting increased MCMs than in Corporate Members.

While the funding from MCMs and Corporate members tends to be fairly stable and changing slowly from year to year, the funding from special fund-raising events is very volatile and changes not only with our own ability to plan and implement relevant events but also with the availability of discretionary finds from donors and participants. This has been particularly the case with the International ICT Awards and Golf Tournaments with a risk for CanCham in relying too much on this source of funding.

What our funds are used for

The funds we now receive are used as follows compared with in 2010:

| | <u>2016 Budget</u> | <u>2010 Actual</u> |
|--------------------------------------|------------------------|-------------------------|
| • Information activities | Php 175,000 (1.7 %) | Php - (0.0 %) |
| • Advocacy support activities | Php 50,000 (0.5 %) | Php - (0.0 %) |
| • Representation & partnership costs | Php 420,000 (4.1 %) | Php - (0.0 %) |
| • Speakers to Cebu and Davao | Php 60,000 (0.6 %) | Php - (0.0 %) |
| • Events/services to members | Php 1,213,000 (12.3 %) | Php 1,614,328 (23.7 %) |
| • Office, Staff & General Operating | Php 8,328,288 (81.3 %) | Php 5,193,169 (76.3 %) |
| Total expenses | Php 10,246,288 | Php 6,807,497 |

It is clear that the major cost driver is the Office, Staff and General Operating Costs of Php 8.3 M. The two major components of these costs are:

| | | |
|---|------------------------|-------------------------|
| • Salaries and wages (8 staff) | Php 5,270,533 (51.4 %) | Php 3,239,493 (84.4 %) |
| • Rent and association fees (3 offices) | Php 1,008,000 (9.8 %) | Php 600,714 (15.6 %) |

| | | |
|---|-------------------------------|----------------------|
| Total Office, Staff & Gen. Operating | Php 8,328,288 (81.3 %) | Php 3,840,207 |
|---|-------------------------------|----------------------|

Location of total Office, Staff and General Operating Costs Php 8,328,288

The change in how the Office, Staff and General Operating Costs are incurred geographically is as follows (with the % of total Office, Staff and General Operating Costs)

| | <u>2016 Budget</u> | <u>2010 Actual</u> |
|--|------------------------|--------------------|
| • Manila Office (National Secretariat) | Php 4,209,596 (50.5 %) | Php 5,193,169 |
| • Manila Office (for Luzon) | Php 2,709,731 (32.5 %) | |
| • Cebu Office (for Visayas) | Php 774,680 (9.3 %) | |
| • Davao Office (for Mindanao) | Php 634,280 (7.6 %) | |

The updated Vision Statement for 2016-2018

In 2011 the Trustees approved a Vision Statement for 2012-2015 which set out where we wanted CanCham to be by 2015. The main elements included:

- The Vision Statement:
 - *To represent all Canada-Philippines business interests in all areas in the Philippines*
 - *To be an effective advocate for the advancement of Canada-Philippine business interests*
 - *To provide valued support for members for their Canada-Philippines business interests*
- A number of specific targets and objectives including:
 - To increase to a total membership of 400 (not achieved)
 - To establish Offices and chapters in Cebu and Davao (achieved)
 - To establish partnerships with other chambers (achieved and on-going)
 - To maintain CanCam on a sustainable financial basis (not achieved)

In March 2016, the Trustees reviewed the original Vision Statement for 2012-2015 and approved an updated version for 2016-2018: including:

- Retaining the same Vision Statement
- Retaining the a target of 400 members but with this now to be achieved by 2018 including
 - At least 25 MCMs
 - At least 60 members in the Visayas
 - At least 60 members in Mindanao
- Maintaining the present three offices in Manila, Cebu and Davao
- Continuing to establish additional partnerships including possibly with Iloilo and Subic-Clark-Tarlac
- To build a reserve fund of at least Php 2M by 2018.

The financial framework to sustain CanCham.

As reported by the treasurer at the AGM last year, CanCham's financial year 2014 was a bad one with a large loss due to much lower that estimated revenue from revenue generating events. As the Treasurer will report, CanCham's financial year 2015 was better with no loss that year but with target of a minimum surplus of Php 500,000 not met for the same reason.

CanCham's preliminary budget for financial year 2016 projected a continuation of the same break-even situation with no expectation that the situation could be improved in subsequent years without:

- Increases in income from revenue generating events (assumed as risky to count on)
- Further cost cutting of operating expenses (limited potential)
- More rigorous collection of over-due membership fees (limited potential)
- Increases in membership fee increase (now necessary)

Given this situation the Trustees last March approved increases in membership fees for regular Corporate and Non-Corporate members as well as Affiliate and Student members effective June 1, 2016, including:

- For Corporate members from Php 16,000 pa to Php 20,000 pa
- For Non-Corporate members from Php 8,000 pa to Php 10,000 pa
- Pro rata increases for Affiliate and student members
- Reduction in discount for members outside NCR from 30% to 25%

Historically these membership fee increases constitute:

- The first increase in Corporate Member fees since 2012
- The first increase in Non-Corporate Member fees since 2007
- The first adjustment in the original discount rate for members outside NCR since 2010

In approving the increases the Trustees noted the impact on revenue and expenses of;

- Inflation and cost increases in recent years
- The increased proportion of Non-Corporate members
- The increased proportion of members outside the NCR with discounted fees
- The need to increase the reserves to at least Php 2M

The implementation of the increases is expected to accomplish the following:

- A surplus of about Php 500,000 in 2016 for reserves
- A surplus of about Php 750,000 in 2017 and in 2018 for reserves
- A total reserve of Php 2,000,000 achieved by end of 2018

Conclusions

I draw a number of conclusions from this Overview of where we have come from since 2010:

1. CanCham has been going through challenging years since 2010 in adjusting to its nation-wide role envisage in its 2012-2015 Vision Statement with both membership and sources funding changing and diversifying.
2. The first challenge has been to retain current members and attract new members.
3. To meet this first challenge we have to recognize that our activities have to fulfill the interests of different type of members, the main groups being
 - The MCMs with their particular interests
 - The Corporate Members with their particular interests
 - The Non-Corporate members with their particular interests
 - The members based in the NCR with their particular interests
 - The members based outside the NCR with their particular interests
4. To do this we need the constructive input of all members in advising how CanCham can improve its activities and attractiveness for all its various members, particularly the five basic interests referred to at the start this report, namely:
 - To have an association with Canada because of business or personal links
 - To support general advocacies and representations to improve business conditions
 - To get business information about Canada and the Philippines,
 - To get access and specific representations to assist one's own business.
 - To be a member of a club for Canada-related social events and contacts
5. The second major challenge (which depends in part on successfully meeting the first challenge) is to put CanCham on a longer-term financially sustainable basis.
6. To put CanCham on a longer term financially sustainable basis we must in my view:
 - Increase our membership to at least 400 members by 2018
 - Increase our regular Corporate and Non-Corporate membership fees
 - Increase the productivity and efficiency of our offices to control growth in expenses
 - Be selective in our major revenue generating events so these can be depended on
 - Continue our policy of charging for services and events to member users at cost
 - Put as a priority the build-up and maintenance of a reserve fund of Php 2M

In closing I believe that, if we can successfully meet these two challenges, we will be able to continue with confidence to deliver our Mission Statement "To represent, support, and promote Canada-Philippines business interests" in the years ahead.

Thank you.