

POWERCLUB

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HOMES FOR EVERYONE

*Mass housing is becoming
the new reality in real estate.*

BEYOND BASIC SHELTER

*A growing population
poses plenty of challenges
for the National Housing
Authority.*

A CITY OUT OF NOTHING

*Aseana City reclaims land
in Manila Bay to create the future.*

BEE HAPPY

*Jollibee shows it can dominate
the regional fastfood market
as well as local tastebuds.*

Bloomberry Resorts Corp.'s
Enrique K. Razon Jr. finds
a winning streak in Solaire
Resort and Casino



THE LUMINARIES

2014

CELEBRATING THE OUTSTANDING

There are many companies and local government units, working closely with Meralco, that are determined to make the Philippines the world's next Tiger Economy. These are the movers and shakers who see the Philippines playing a greater role in the world economy, whether as a strong player in the global fastfood market; a training center for world-class automotive technicians; or a source of quality industrial chemicals.

They are the reason we created the Meralco Luminaries Awards in 2012, to celebrate their achievements, and recognize their contributions to the economy, to the environment, and to the community.

There are strict criteria our board of judges must observe in selecting the Luminaries for each year. We examine the depth of every Luminary's partnership with Meralco and our subsidiaries. We look at their business achievements, their contributions to the economy and the community, and their involvement in corporate social responsibility projects.

But what truly makes these customers exceptional – Meralco Luminaries and outstanding partners alike – is their strong, unwavering commitment to the country and its people. It is this spirit, above all, that we seek to honor. We hope that through the Meralco Luminaries Awards, others may be inspired to work with us and with others, and bring about a prosperous, economically vital Philippines.



Alfredo S. Panlilio
Senior Vice President and Head of Customer Retail Services and Corporate Communications

THE MERALCO LUMINARIES

Every year, the Manila Electric Co. (Meralco) celebrates the country's top corporations through the Meralco Luminaries. The Luminaries is a program that recognizes our Outstanding Partners in the public and private sectors, companies and government units that are revolutionizing the way business and public service are done in the Philippines.

The Luminaries Awards are given to partners across several categories, including Commercial Corporations, Industrial Corporations, Local Government Units, and Small and Medium Enterprises. They are all recognized leaders, who, in collaboration with Meralco, do more than drive economic growth and national development, but positively impact the lives of our people.

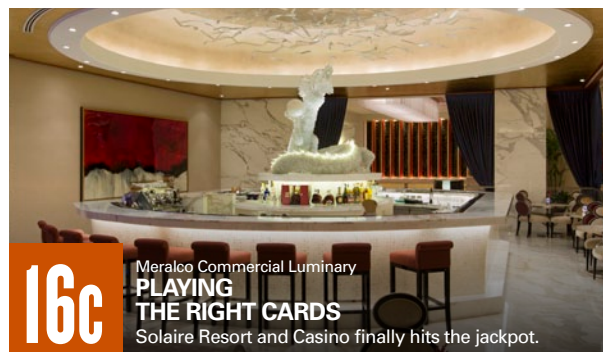
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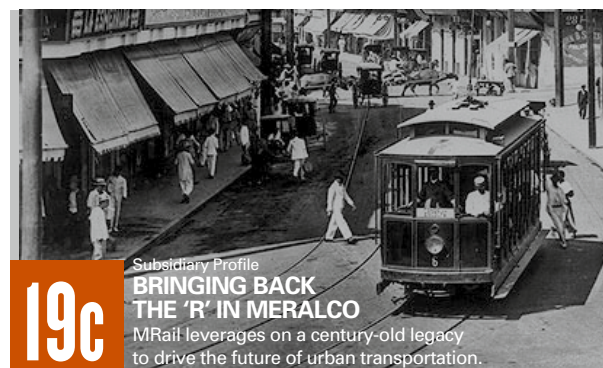
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HOMES anyone can AFFORD

The next housing boom could come from the bottom of the market.

By Cai Ordinario

8990's Deca Homes
in Indangan, Davao City

Metro Manila's towering, glittering skyscrapers mirror the exuberance and confidence brought about by breakneck growth. Look closer and the gleaming glass reflects something else: the crowded, squalid shacks of countless informal settlers.

This is a stark, graphic demonstration of the Philippines' huge income inequality, a gap that shows few signs of narrowing even as the economy moves ahead. The country's

Gini coefficient, a measure of inequality with 1 indicating perfect equality, was still high at 0.47 in 2012.

As differences between the rich and the poor confront us everyday, some private and public institutions seek to enable Filipinos to own a most fundamental need, a home.

Low incomes, numerous regulations

"Home ownership is aspirational because it elevates you, in the social pyramid of Philippine society, from a renter to a homeowner," declares Januario Jesus Atencio, president and

chief executive officer (CEO) of 8990 Holdings Inc.

He believes this drives millions of Filipinos to toil on foreign soil. Many overseas Filipino workers (OFWs), whose families comprise most of the low- to middle-income classes, sacrifice for years to work abroad and give their families a decent home and a better future.

The biggest hindrance to home ownership for the bulk of Filipinos, according to Atencio, is accessible housing finance. In particular, he believes most financing ignores the



Januario Jesus Atencio
President and CEO
8890 Holdings Inc.



8990's Deca Homes in Cebu

'Home ownership elevates you, in the social pyramid of Philippine society, from a renter to a homeowner.'

realities of how middle- and lower-middle-income citizens earn, spend and budget their money. With salaries and wages barely sufficient for daily living needs, making a long-term investment on a house is a serious stretch.

This and the growing population add to the housing backlog. Under the Philippine Development Plan's medium-term economic blueprint in 2011, the government target is to construct around 5.56 million houses by 2016. A third of these houses is slated for the Calabarzon (Cavite, Laguna, Batangas, Rizal, Quezon) region; Central Luzon; and Metro Manila.

A broader view comes from Camille Lydia A. Villar, managing director of Vista Land and Lifescapes Inc. Affordability is not the sole impediment to home ownership for Filipinos, she says, but also chronic poverty, misplaced priorities, and low financial literacy.

"Resettlement projects are sometimes unsuccessful when beneficiaries abandon the projects for lack of livelihood opportunities and services," she explains. "Others may

prioritize spending on gadgets, travel, and branded apparel ahead of basic housing."

She admits private property-sector developers are constrained in catering to the mass housing market. Prospective buyers often cannot satisfy stringent documentary requirements for home financing, nor comply with changing rules and regulations from government financial institutions.

These difficulties haven't kept other real-estate developers from claiming their slice of the property pie. After all, the industry expanded greatly over the last two decades, according to Willie Joven Uy, president and CEO of Phinma Properties.

"Our company was the only one that went into affordable housing through medium-rise building development in 1996," he reveals, "but by 2006 to 2007 a lot of developers were getting into the same business."

Real innovations

The government's National Housing Authority (NHA) wrestles with its own challenges with socialized housing, not

least of which is an abysmal 30 percent repayment rate from borrowers.

NHA General Manager Chito Cruz says the rate persists despite the lenient repayment terms: P205,000 of the P290,000 total housing cost is payable over 30 years with a one-year grace period. (See "Dignity Begins at Home" on page 7c of the *Commercial Luminaries* section.)

These challenges compel many developers to think outside the box.

"One way we can solve the housing backlog is to make financing more accessible," declares Atencio. "The market has to be able to afford the housing."

As an incentive to prospective homeowners, 8990 Holdings requires a down payment of just two percent, a fraction of the usual 10 percent other real-estate companies require.

This down payment can mean just two months' pay for 8990's target market of young, college-educated professionals who earn at least P25,000 monthly and hold little or no savings.

This strategy speaks to ordinary Filipinos who pay rent on top of saving

up for the down payment on a house. Atencio notes this enables buyers to immediately move into new homes and channel funds originally meant for rent into repaying their mortgage.

This approach has allowed 8990 to sell around 33,000 units since 2004 and complete 30 housing projects, with a collection efficiency of 94 percent between 2009 and 2013. The company's income skyrocketed from P189 million in 2004 to P5.7 billion in 2013, for a staggering growth of about 3,000 percent.

Vista Land, on the other hand, applies a combination of good management practices, financial muscle, and active involvement in the policy implementation of industry associations to offer Filipinos affordable



Phinma's Asia Enclaves in Alabang

Quality homes at affordable prices

The main thrust of Phinma when it comes to the local market is keeping the price of their developments affordable. The average cost of their 'Affordabest' projects is around P1.1

cap for socialized housing projects.

"We continue to be efficient and bring down cost. Our quality is second to none. We try to deliver the best (to our clients)," Uy says.

To leverage the momentum gained

Phinma suggests a one-stop shop for filing all building and construction permits and certifications.

housing options.

Villar reports 78 percent of the company's 2014 sales came from mass-housing developments, with units priced at P3 million or less. She expects earnings to reach P4.7 billion with the completion of 13 projects under one of its mass-housing developments, Lumina Homes.

million to P1.35 million for a 30-square-meter (sqm) unit, while the higher-end affordable luxury homes cost P1.74 million for a 30-sqm unit.

Phinma continues to work with the NHA and local government units in building low-cost and socialized housing. For these projects, Phinma charges around P450,000 which is the



Phinma's Hacienda Balai in Quezon City



Willie Joven Uy
President and CEO
Phinma Properties



Filipinos can have a home to call their own.

Villar urges government to help reduce costs for developers, the benefits of which will be passed on to buyers. This will also encourage other players to go into mass-housing projects.

She wants stronger financial institutions, and stringent laws

should also consider setting up a one-stop shop for filing all building and construction permits and certifications. He added that keeping the same rules throughout the construction process would also help builders like Phinma continue their work.

Clearly, mass housing cannot be resolved by single solutions nor by

'The government must ensure the fiscal health of state-owned housing finance institutions.'

by the private sector, the NHA forges new partnerships to improve its collection or gain access to additional land and financial resources. It partnered with Ayala Land Inc. for an NHA property along North Ave., behind TriNoma Mall. From this venture, Cruz says the NHA stands to earn about P10 billion to finance other socialized housing projects.

He hopes private companies will show an interest in properties presently occupied by informal settlers. "We're trying to sell these on an 'as is, where is' basis; the buyer handles the relocation with decent housing. We'll see if companies will buy them."

Improve financial access, make consistent rules

These innovations will certainly help boost the housing sector, yet many things need to change before all

relaxed that prevent developers from expanding or undertaking new projects. "For the success of the National Shelter Program, the government must ensure the fiscal health of state-owned housing finance institutions, and encourage housing microfinance institutions, including foreign-based ones."

To complement this, she adds the government should improve the bankability of the poor through community and livelihood development programs.

Uy adds that the government

individual entities. It requires the cooperation of many line agencies in the government and private sectors. With these activities properly coordinated, and these efforts efficiently streamlined, owning a home will cease to be a dream for many, and become a birthright for everyone. 🏡





Dignity begins at Home

By Cai Ordinario

Socialized-housing head Chito Cruz works to turn a long-held dream into reality.

Bert dropped out of high school about 15 years ago, and makes a living by fixing computers. He, his wife and three children live with his in-laws in Cavite. His irregular income and indeterminate employment status ranks him among 1.5 million Filipino families unable to own or afford a home.

"Gusto ko sana magkabahay kami pero hindi kaya. Buntis pa ang asawa

ko, hindi rin siya pwede magtrabaho." (I want to own a home, but we can't afford it. My pregnant wife can't go to work)," Bert says.

For informal workers such as vendors and casual laborers, the dream of home ownership borders on fantasy. With no regular income nor access to bank loans, they can't buy a plot of land, much less four walls and a roof over their heads. A lucky few like Bert live with relatives, but most have



makeshift dwellings on public or private property, or in areas too risky or toxic for habitation.

The National Housing Authority (NHA) works to give these informal settlers better options. NHA General Manager Chito Cruz says particular priority is being given to 104,000 families that live in areas considered dangerous or unsuitable for living: "We resettle families living along flood-prone waterways and unsafe major thoroughfares and parks."

Housing on track

President Benigno S. Aquino III directed the NHA to prioritize these 104,000 families, a task the agency embarked on four years ago.

So far, financing has been received for about 90,000 units: 72,000 from the NHA and 18,000 from the Social Housing Finance Corp. This subsidiary of the National Home Mortgage Finance Corp. undertakes social-housing programs for formal and informal sectors in the low-income bracket.

As of press time, about 46,000 NHA-financed houses are in the process of being turned over to assigned families, and the NHA is on track to complete



an additional 14,000 housing units by 2016.

An off-city house costs P290,000, well below the ceiling cost of P450,000. The NHA only charges P205,000 for each house, payable through a graduated amortization plan over a period of 30 years. The plan starts at P200 per month for the first four years, and commences a year after the actual relocation. From the fifth through the 30th year, monthly amortization ranges from P590 to P1,330.

Cruz adds the NHA does not follow a one-size-fits-all design template: "[In serving] different communities, we have to be sensitive to their needs." The Indigenous People's communities in Zamboanga, for example, have homes on stilts, so their NHA housing reflects this preference and preserves their traditional lifestyles.

Enlightened cooperation

Appointed NHA head in 2010, Cruz has collaborated closely with the

Manila Electric Co. (Meralco) since 2011 to fast-track 41 housing projects for policemen and military personnel. This partnership also finalized 186 resettlement projects for 48,005 informal-settler households.

Meralco and the NHA recently signed an agreement to implement Prepaid Retail Electricity Service (PRES) at all future projects by the agency. PRES allows individual customers to manage their power consumption according to what their budget can allow, with no fear of disconnection when the pre-paid load runs out. This is the first energy solution in the world fully integrated with mobile infrastructure, where customers can reload their PRES account via mobile phone.

This innovation unshackles both the NHA and private housing developers from paying service deposits and reducing utility collectibles from their beneficiaries.

Cruz's ongoing efforts to improve the housing situation for poor Filipinos has earned him recognition, including the Meralco 2014 Luminaries Special Award.

Assisting the dispossessed

The NHA works closely with the Department of Social Welfare and Development (DSWD). The latter facilitates relocations and manages the social preparation process as the houses are built.

With trips to the project sites, future homeowners inspect the location of upcoming homes and pick their preferred NHA socialized housing project.

"We prefer to provide in-city relocation," Cruz explains, "so families are less displaced for schooling and job opportunities. But we can only maximize our limited resources for public land inside the city."



Chito Cruz
General Manager
National Housing Authority

NHA's priority is to relocate informal settlers living in dangerous areas such as riverbanks, sewage canals, and on city streets. One of its key housing projects is Paradise Heights, at the site of the former Smokey Mountain in Tondo, Manila, which began construction in 2012.

‘[In serving] different communities, we have to be sensitive to their needs.’







Completed in October 2013, Paradise Heights is composed of nine five-story buildings, with a total of 970 housing units. Each unit measures 24 square meters and comes complete with power and water utilities.

Although the monthly rent per unit is P1,500, many residents still engage in small businesses to make ends meet. To further keep housing affordable, Meralco offers Prepaid Retail Electricity Service, which enables customers to better manage their power consumption.

Off-city housing sites are on the outskirts of Metro Manila, such as the provinces of Bulacan in the north, Laguna and Cavite in the south, and Rizal in the east.

"We do a matching, so a family in Metro Manila [can be relocated to] a site they choose," Cruz says.

The DSWD also provides P18,000 in financial assistance, whether as seed money for a business or as tuition for school transferees. Relocated families receive a year-long grace period prior to repayment to the government.

The NHA also helps re-house calamity victims

Around 70,000 housing units are being built for the victims of



the December 2013 supertyphoon Yolanda ("Haiyan"), including 14,000 in Tacloban. The NHA is also providing 17,030 housing units for the December 2012 typhoon Pablo ("Bopha") victims in Mindanao. By November 2014, around 3,505 families had been moved into homes in New Bataan, Compostela Valley Province, and in Cateel, Davao Oriental.

Cruz expects by 2019, the NHA can

provide 50 percent of the country's homeless low-income and calamity-stricken families with socialized housing; an ambitious goal very much worth the pursuit.

After all, a home does more than shelter and protect one's family and possessions. A home brings peace of mind and dignity, and goes a long way in contributing to an over-all sense of well-being and security. 🏠

A future-forward city

Rising from Manila Bay, Aseana is poised to become the city of the new millennium.

by Mari-An Santos

Delfin Angelo Wenceslao, Jr.
President and
Managing Director
Aseana Holdings Inc.

From any angle, the strategic placement of Aseana City is enviable. It is right smack in between Roxas Boulevard and Manila Bay, between the seaport and airport, and just a few kilometers away from the various central business districts.

For Delfin Angelo Wenceslao, Jr., president and managing director of Aseana Holdings Inc., building here was an obvious choice. "At the end of the day, it's the three rules of real estate: location, location, location."

And if the location doesn't exist, you have to create it yourself. A consortium consisting of the Jan de Nul Group of Luxembourg, TOA Construction Co. of Japan, Royal Asia Development Corp., and D. M. Wenceslao and Associates Inc. began a reclamation project in Manila Bay in 1989. It created an amazing 204 hectares (ha.) of prime real estate, 100 ha. of which were allocated for government projects under the build-operate-transfer scheme.

A city from scratch

Rising alongside Aseana City are other new developments, including the SM Mall of Asia and the Philippine Amusement and Gaming Corp.'s Entertainment City. Wenceslao points out, however, that Aseana City will distinguish itself with a master plan to make it the largest business and entertainment district in the Philippines.

Approximately 30 percent of the area allocated to the private sector has been developed for now. This includes Aseana One and Two, a base mostly for business process outsourcing (BPO) companies. The rest are home to companies connected to the Port Area and the airport – mainly logistics companies – that relocated from the congested and flood-prone Ermita district.

Wenceslao envisions the location's development to peak in five to 10 years. "We have a master plan for the whole area: most of the lots fronting the major roads are commercial and retail, similar to international communities. Most lots facing inroad are going to be residential properties, and we've allocated areas for



‘We have a master plan for the whole area: most of the major roads are commercial and retail, similar to international communities.’

amenities like parks, churches, and utility services such as substations.”

A sustainable environment

The Manila Electric Co. (Meralco) is, literally, deeply involved with the growth and expansion of Aseana City. The power network is being built underground, freeing street-level areas from overhead wires and electric poles. Meralco is also building two dedicated Gas Insulated Substations, designed to meet the energy-intense demands of Aseana’s present and future locators and residents.

Like many cities rising during this millennium, much effort is being put into sustainable systems and eco-friendly materials. “We’re promoting walkability,” Wenceslao says. “We invested heavily in landscaping plants to make sure that the streets are tree-lined, and by making the sidewalks wider, (it will be) convenient for people to walk.”

Also in the pipeline are covered elevated walkways, and jeepneys fueled by liquefied petroleum gas to allow residents and office workers to travel longer distances.

“We installed some processes which are initially costly but, in the long run, sustainable. We use porous pavers for all roads that we know we are going to dig up in the future for infrastructure. When it rains, the water goes through, so we don’t have to tear up and replace concrete.”



Expanding possibilities: Wenceslao consults with Meralco Corporate Partners Relationship Manager Joy Mendoza.

Technology is being employed to ensure safety. Aseana City’s Integrated Operations Center will use CCTV cameras and license-plate detectors to monitor public spaces and ensure security.

Meralco is involved in helping maintain sustainable practices. It consults regularly with many of the businesses, primarily BPOs, giving advice on efficient energy usage. The power firm also encourages its customers to avail of its Peak/Off-Peak Program (POP), which provides cost-effective rates when electricity is used during off-peak hours. Aseana itself has saved about P250,000 a year through the POP.

One technology to which Wenceslao looks forward is Meralco’s Smart Grid Program. Already in use in countries like the United States, the system allows for a two-way

dialogue of electricity and information between the utility and its customers. A key component of this program is Advanced Network Automation (ANA), which enhances the power quality and operational efficiency of the entire network. The ANA ecosystem includes smart devices and systems, that monitor and manage the distribution network in real time to address changing loads, minimize technical losses, and manage and regulate voltage. Smart Grid enables customers to use energy efficiently, and allows them to sell any excess energy they create (though solar panels and wind turbines) back to the power grid.

“Several companies have come to us and said they could do it,” Wenceslao discloses. “But unless it’s Meralco that will do it, it’s hard to put the City on the line.”

Despite the current inconveniences caused by public-works construction, he looks at the advantages these will bring. “In the medium to long term,” he guarantees, “all of these will add significant value to the property.

“This whole area is going to become transit-oriented, that’s why we are planning for Aseana to have interconnectivity with all these major nodes of public transport and accessibility. As this area becomes oriented towards tourism entertainment, it’s going to have all the advantages in terms of accessibility and interconnectivity for pedestrians, for vehicular traffic, for people who visit and plan to stay in this area.”

This year, Wenceslao anticipates the launch of Aseana Three, and relishes the planning stages of the city’s first residential project, Pixel Residences. There is much to expect. “We’re looking for locators that will add value to the community, to make it a complete community, not just offices and residences.”

Looking out on what is arguably one of the world’s most breathtaking sunsets, the city founded on a location that once never existed sets new standards for metropolises to come. Aseana City is poised on the brink of a truly bright future. 🌅

Filipino fast food with a global reach

Ernesto Tanmantiong
President and CEO
Jollibee Foods Corp.



Celebrating its 37th year, Jollibee continues with unabated energy to build its business here and abroad. **by Mari-An Santos**

Some corporate names denote magnitude, evoke history, suggest power, or imply technology.

And then there's Jollibee. A charming, gentle name, beloved by generations of Filipino children, and popularly represented by a smiling, cheerful, red-and-yellow bee mascot.

Few Philippine corporations

can claim the scope, recognition or impact of Jollibee. What began as an ice-cream parlor, with two stores in downtown Quiapo and Cubao, is now a fast-food giant with nine brands and 2,900 stores across 12 countries.

Feeding every appetite

Ernesto Tanmantiong, chief executive officer of Jollibee Foods Corp. (JFC), says the secret to the food giant's unwavering success lies in

keeping customers happy.

"There are so many unmet consumer needs when people eat out, both in emerging and developed markets," he elaborates, "[so] we continue to make innovations in good-tasting, quality food and top-notch service."

JFC's expansion goal is to open 100 stores annually, half of them overseas. The entry of foreign fast-food chains and restaurant brands as well as the

emergence of strong local contenders have only amplified JFC's momentum.

A key ingredient to its growth over the years is franchising. "When we started franchising Jollibee in the 1980s, there were so many who were interested to franchise even without any advertising or marketing on our part," Tanmantiong recounts. "This business formula gave us the confidence and know-how to change from table service to counter service, the backbone of fast-food operations."

Finding new flavors

The company likewise used franchising to help it expand into other fastfood categories.

It acquired local brand Greenwich Pizza in 1994, then bought Chowking in 2000, Red Ribbon Bakeshop in 2005, and Mang Inasal in 2010. It also secured stakes in foreign brands such as Burger King Philippines; Highlands Coffee and Pho 24 from Vietnam; Taiwanese hotpot chain 12 Sabu; and the Jinja Bar and Bistro chain in the United States. Jollibee – the hamburger chain – remains the company's flagship brand, both in revenue and recognition, a strength that JFC leverages worldwide.

"To operate outside the Philippines," Tanmantiong explains, "we concentrate first in countries with large Filipino populations." Jollibee opened its first overseas store in Brunei in 1987. Its first branch in the United States opened in Daly City in 1998 and was visited by throngs of Filipinos looking for a taste of home.

Of its China market, Tanmantiong discloses: "Rather than impose foreign brands with foreign tastes on Chinese consumers, we realized acquiring local brands already favored by the domestic market could help us expand our portfolio abroad." JFC bought local fastfood chain Yonghe King in 2004, congee store Hong Zhuang Yuan in 2008, and beef noodle chain San Pin Wang in 2012.

Putting Filipinos first

Despite its overseas success, JFC remains mindful of its responsibilities to fellow Filipinos back home.

As the largest fast-food chain in the Philippines, JFC employs hundreds of thousands of employees directly or through its many third-party agencies, contractors, and suppliers. Tanmantiong points out, "the opening of a Jollibee store in any location in the Philippines – even in far-flung areas – is always good for the local community."

This responsibility prompted JFC to establish the Jollibee Group Foundation in 2004 to be able to give back and help the communities where they operate. The Busog-Lusog-Talino (Full-Healthy-Smart) School Feeding Program provides lunch daily to undernourished children in public schools. The Farmer Entrepreneurship program teaches farmers to become better businessmen and suppliers of agricultural products. The Jollibee Group FoodAID program provides disaster relief during calamities.

Fast energy behind fastfood

JFC's rapid growth is also made possible due to its close harmonious relationship with the Manila Electric Co. (Meralco), which Tanmantiong has acknowledged as quite beneficial. "There is an open line of communication; they regularly review the new projects we have, to make sure each project's power requirements are delivered on time."

Meralco's involvement in JFC's strategic planning resulted in 200 new stores being energized an average of 23 days ahead of schedule, while frequent energy audits allow the company to continuously improve its energy efficiency.

The Chowking commissary was enrolled in Meralco's Peak/Off-Peak Program to take advantage of lower rates during off-peak hours, generating annual savings of around P600,000.

Tanmantiong also credits Meralco relationship managers with improving processes such as the centralized application of service connections, and the auto-debit arrangement billing

system for company-owned stores.

Moving ahead with solid values

Despite its successes, JFC isn't resting on its laurels. "As the Philippines' biggest fast-food chain, we strive to lead when it comes to innovation," Tanmantiong declares. "We possess a clear understanding of what customers want and their evolving habits and preferences. We continue to invest for the long term, even in the worst of times."

In 2014, the company spent P5.4 billion in capital expenditures, the highest in its history. "This may appear to be a very aggressive investment disposition," Tanmantiong says, "but JFC has maintained a very conservative

In February 2014, Jubail City, Saudi Arabia got its first taste of Jollibee.



financial management system that enables it to sustain healthy profits consistently over the years."

At its core, Tanmantiong insists JFC maintains a firm grasp of its values: "To this day, *langhap-sarap* (delicious aroma) serves as our guide when we improve and expand our product lineup. Our convenient store locations, generous servings, clean store environment, and friendly customer rapport, are also why our customers keep coming back."

These values, shares Tanmantiong, were summed up decades ago by his father: "He always said every customer must walk out the restaurant doors with a full stomach and a satisfied smile." 🍴

Playing the Right Cards

Bloomberry's big bet on Solaire is finally paying off.

by Tina Arceo-Dumlao

Enrique K. Razon Jr.
Chairman and CEO
Bloomberry Resorts Corp.

The cardinal rule that gamblers know well but rarely follow is to never bet against the house, which always wins in the end. Enrique K. Razon Jr. is quite familiar with this maxim. After all, he practically owns the house, namely, the Solaire Resort and Casino. The chairman and chief executive

officer of Solaire developer Bloomberry Resorts Corp., the 55-year-old Razon has an estimated personal net worth of US\$5.2 billion. According to *Forbes* magazine, he is the third richest Filipino as of 2014, after retail and property magnate Henry Sy Sr., and beer and airline tycoon Lucio Tan.

Due to Razon's persistence and determination, the company is finally cashing in on its massive investments,

and those who failed to jump on the Bloomberry bandwagon now regret having missed out on a golden opportunity.

Opening jitters

Investors were initially skeptical that Bloomberry, owner and operator of the US\$2.1-billion (P95-billion) casino resort, could meet its lofty revenue expectations. After all, Razon's original

fortune was built on port management under his International Container Terminal Services Inc. (ICTSI), a business far removed from the glitter and glamor of the hospitality industry.

It didn't help that Solaire literally waded into unknown waters as the first integrated casino complex at the Philippine Amusement and Gaming Corp.'s Entertainment City, built on land reclaimed from Manila Bay.

Adding to the uncertainty, the Las Vegas-based management firm Bloomberg contracted to run the casino was fired just six months after Solaire's March 2013 opening. Deciding this firm had "failed to perform its obligations and deliverables under the management services agreement," Bloomberg put its own management team in place.

Sitting in the posh chairman's villa of Solaire's hotel, looking out at a breathtaking view of Manila Bay, Razon happily declares firing the former management company was "the best decision" he's ever made.

A winning streak

The vision and energy Razon puts into Solaire comes from the same passion that drove him to transform ICTSI, a company he inherited from his father, into a formidable global port operator that today controls 29 facilities in 21 countries.

Known in local business circles for his appetite for risk and investing where others fear to tread, Razon expanded his empire in a completely different direction, seeking to make the Philippines a byword in global gaming alongside Macau and even Las Vegas.

That gamble now seems to have paid off.

Razon describes 2014 as "a pretty good year" for Bloomberg, with numbers that "far exceeded" his own expectations.

Gaming contributed 95 percent

to its total revenues; hotel, food and beverage accounted for 4 percent; and retail, interest income and others made up the balance.

In a report to the Philippine Stock Exchange, Bloomberg said net gaming revenue grew by 99 percent to some P23 billion, accounting for 95 percent of the company's total revenues of P24.12 billion.

also relies on high rollers from China.

Expanding here and abroad

He is undaunted by the recent opening of the nearby rival City of Dreams, backed by the SM Group's Belle Corp. and the Melco Crown group led by casino moguls Lawrence Ho and James Packer of Macau and Australia, respectively.

Bloomberg's 2014 total revenues nearly doubled to P24.12 billion, from P12.34 billion the previous year.

The almost twofold increase in net gaming revenue boosted the company's profit to P4.07 billion, a turnaround from its net loss of P1.32 billion in 2013.

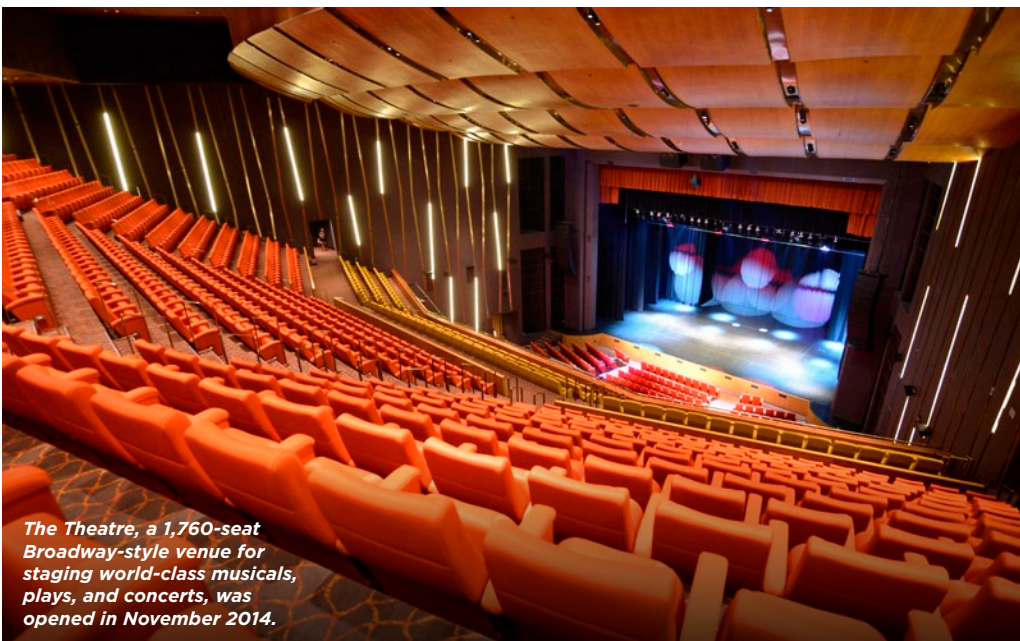
Razon says Solaire generated these stellar numbers in the face of a sweeping crackdown on corruption in China. This was a blow to Macau, a Special Administrative Region of China and a traditional gaming stronghold, where gaming numbers dropped by 49 percent last year.

"The Philippines managed to buck the trend," Razon reveals, and it grew its gaming business by 12 percent in the same period, even if it

"We still haven't felt the impact," he says, adding the City of Dreams and other projects soon to rise in the Entertainment City will just complement each other. "(Other casinos) will bring the needed critical mass to the area and contribute to the positioning of the Philippines as a more complete gaming destination."

Still, Razon sees no reason to surrender his casino's first-mover advantage, investing in continued branding and marketing campaigns to keep Solaire top of mind when it comes to gaming services and facilities in the Philippines.

"Solaire is becoming very well



The Theatre, a 1,760-seat Broadway-style venue for staging world-class musicals, plays, and concerts, was opened in November 2014.

known all over Asia; it is surprising, sometimes, the type of people we get here," he says, adding that, "Solaire attracted some 100,000 unique visitors in 2014."

These visitor numbers are expected to grow further with the opening of Solaire's Sky Tower, a 312-key all-suite five-star hotel with additional gaming facilities and attractions like The Theatre, a 1,760-seater Broadway-style auditorium.

With his winning formula now fine-tuned, Razon is keen to expand overseas. Bloomberry signed an agreement with a group of shareholders of Golden and Luxury Co., Ltd. (G&L) for a subsidiary, Solaire Korea Co., Ltd., to acquire up to 92 percent of G&L, which owns and operates one of seven casinos on popular Jeju Island in South Korea.

"We are excited at the prospect of introducing the Solaire brand of integrated resorts to Korea," he enthuses. "This is our first venture outside of the Philippines, and the possibilities for expansion in this country are promising."

Energy to pursue perfection

To keep its operations humming and its gamers happy 24/7, Solaire

looks to the Manila Electric Co. (Meralco) for power and up-to-date energy advice.

"Meralco is a major partner in this endeavor already, providing some of the backbone infrastructure," Razon declares, referring to the P1.16-billion substation built by the energy distributor to provide quality, reliable electricity solely for the Entertainment City.

Meralco was able to energize Solaire a full six months ahead of schedule. This early advantage gave the hotel and casino precious lead time to test their processes and perfect their operations.

Electricity accounts for approximately five percent of Solaire's local operating costs, and is vital in keeping gaming and hotel activities humming along 24/7. The air conditioning system alone accounts for 60 percent of power consumption, and always runs at full throttle for the comfort of all guests.

By sourcing energy from MPower, Meralco's local electricity supplier, the leisure company is able to save an average of P4.7 million a month. Meralco also continues to provide consultancy services to help Solaire maximize its energy-efficiency efforts,

to further keep costs down while improving profitability.

"We have to be very efficient in our energy use," says Razon, "but we are happy that Meralco is also betting on the Entertainment City."

Unfazed and optimistic

Razon admits he remains concerned about China, which accounts for the majority of high rollers for all gaming operators from Macau to Singapore to Las Vegas. However, he is heartened by the steady traffic from South Korea, now accounting for 30 percent of Solaire visitors, followed by the Chinese at 26 percent. Other large sources of gamers include Taiwan, Thailand, Malaysia and Singapore. Filipinos continue to make up a significant portion of the mass gaming segment that includes slot machines.

Razon insists the key challenge lies in changing the mindset that the Philippines is not an ideal destination for world-class gaming.

"The important thing is to bring the gamers to the Philippines," he points out. "Getting them – the VIPs, the wealthy individuals – here for the first time is the most difficult. But generally, once we have them here, they always come back."

"The image of the Philippines abroad, especially in China, is not exactly positive. But in other countries, we have already overcome that image problem."

He stresses the need for government to work harder to improve infrastructure, particularly the airports: "That is the most critical concern for the tourism industry."

Although generally somber, his face lights up as he discusses his plans for 2015 and beyond.

"[We want] to do everything we did last year, but better. We have to grow the business more. Phase 1 did very well, and by the end of the year, we will be opening the mall, and that will be another leg up for Solaire."

The prospect of another profitable year gives Razon reason to smile. That, or the knowledge that, yet again, he's rolled the dice and hit the jackpot. 🎰

*Keeping the house humming: (From left) Meralco Corporate Partners Technical Services Engineer **Dennis Borja** confers with Solaire Director of Engineering and Facilities **Efren Rodrigo**, MServ Commercial Group Head **Philip Roxas**, and Meralco Corporate Partners Relationship Manager **Juan Paolo Cruz***



Bringing back the 'R' in Meralco

MRail looks to its past for solutions to the city's congestion. **By Mari-An Santos**



Ferdinand Inacay
President and CEO
MRail Inc.

It's 2015 and the maddening motor traffic of Metro Manila makes the public, the government and the private sector search high and low for all kinds of solutions to ease the congestion. Seeking to play a part in the country's transportation future, the Manila Electric Co. (Meralco) harks back to its past, to 1905.

Back then, the American colonial period in the Philippines was just beginning. With the new administration came a newfangled mode of mass transport, the *tranvia*, a state-of-the-art electric streetcar system owned and operated by the newly formed Manila Electric and Rail Co.

Ferdinand Inacay, president and chief executive officer of Meralco

subsidiary, MRail Inc., wants people to remember this legacy: "Rail has always been in our DNA."

A heritage never lost

By 1913, Meralco's *tranvia* system had expanded to nine lines, reaching out to what today are the cities of Taguig, Pasig, San Juan and Makati. The system functioned well until its complete destruction during World War 2.

The power company's rail operations remained moribund until it formed a subsidiary, the Meralco Transit Organization (Metro Inc.), to operate the newly built Light Rail Transit (LRT)-Line 1 that runs from Baclaran, Manila to Monumento, Kalookan, along Taft and Rizal avenues.

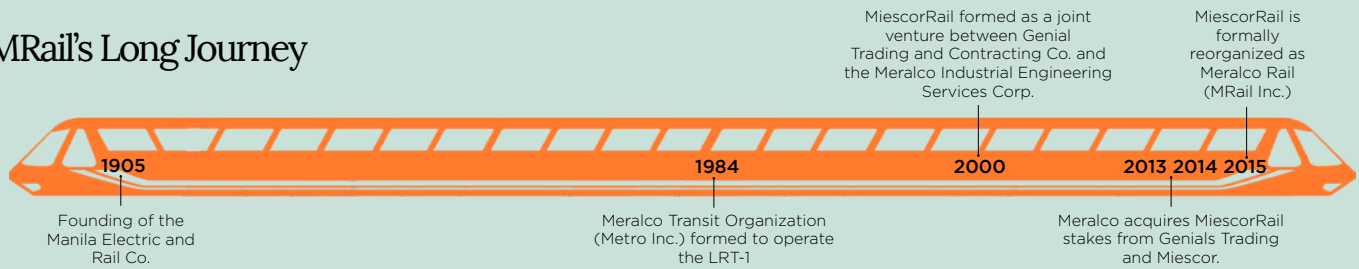
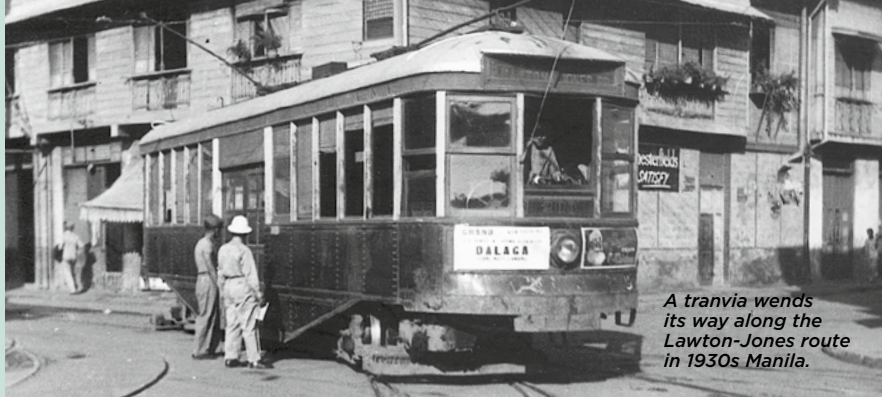
Metro Inc. operated LRT-1 from 1984 until its contract expired in 2000. Meralco's rail business was limited to providing engineering services,

advice and, of course, power to the LRT system.

Metro Inc. evolved into MiescorRail, a joint venture between Genials Trading and Contracting Co., a company with special involvement in rail manpower and maintenance sub-contracting, and the Meralco Industrial Engineering Services Corp. MiescorRail was a member of the consortium that won the bid to implement the Monumento to Roosevelt extension of LRT-1. Its role in the project was to design and build the traction power, station and substation of the five-kilometer viaduct, including the installation of the Overhead Catenary System.

Genials Trading sold its investment in MiescorRail to Meralco in 2013, and in 2014, Meralco acquired Miescor's stake. MiescorRail became a 100-percent Meralco subsidiary, and its name was changed to Meralco Rail or MRail Inc. in February 2015.

MRail's Long Journey



MRail's mandate and vision, says Inacay, is to pursue various rail infrastructures "to revive the railroad track in Meralco's business interests."

Inacay adds that initially, "MRail was content with being a subcontractor and participating in rail projects with limited roles." This time, however, he is keen for MRail to position itself as the main contractor for the various rail systems, as well as pursuing potential rail investments. The company's strengths, he believes, are its experience and its pool of well-trained and experienced rail engineers. "We have the talents and the capability to undertake most of the various rail disciplines."

Eager to get rolling

"We can categorize ourselves as a new company building its credentials, and we're very eager to develop rail projects that will help ease traffic congestion in the City of Manila," Inacay declares.

One of these is a proposal to develop a cargo railway system utilizing the Philippine National Railway's existing network to transport cargo to and from Manila's ports on container freight trains.

"Plans to unclog the streets of Metro Manila often leave out cargo traffic," Inacay points out. Cargo volumes

have continuously grown over the years, even though "Metro Manila has zero growth in road infrastructure; in fact, it's negative due to closures and the conversion of streets to other purposes."

MRail's proposal to maximize the utilization of the existing railway system can potentially reduce truck volumes by about 600 vehicles per day, even in the early stages of the project.

Discussions with various stakeholders on creating a cargo rail system are ongoing. Inacay expects challenges, but the benefits – including less road congestion, faster cargo logistics, increased manufacturing activity, lower production costs, and improved

air quality due to reduced carbon emissions – are inarguable.

Aiming for a bigger network

MRail's mandate is to support the rail investments of its parent units Metro Pacific Investments Corp. (MPIC) and Meralco in the technical aspect of operations and maintenance. The subsidiary is negotiating to maintain LRT-1 South Extension, a P65-billion project of the Light Rail Manila Corp., a consortium led by MPIC and the Ayala Corp. This extension will run from the current Baclaran Station to the proposed Niyog Station in Bacoor, Cavite, and will carry some 800,000 passengers everyday when completed.

MRail is also looking at opportunities outside Metro Manila, particularly in Mindanao. It is also contemplating contracting opportunities in the Middle East and other developing markets looking for experienced maintenance contractors and manpower. "Entry into emerging markets is the best," Inacay explains, "because if you go into a highly developed market, you will be up against the giants in the rail industry."

The challenges of improving local transportation infrastructure alone are daunting, but the support of Meralco in growing MRail is very encouraging.

"We're about to effect positive changes," he says eagerly, "and I hope we can accomplish them all in this lifetime!" 🚆

THE LRT-1
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