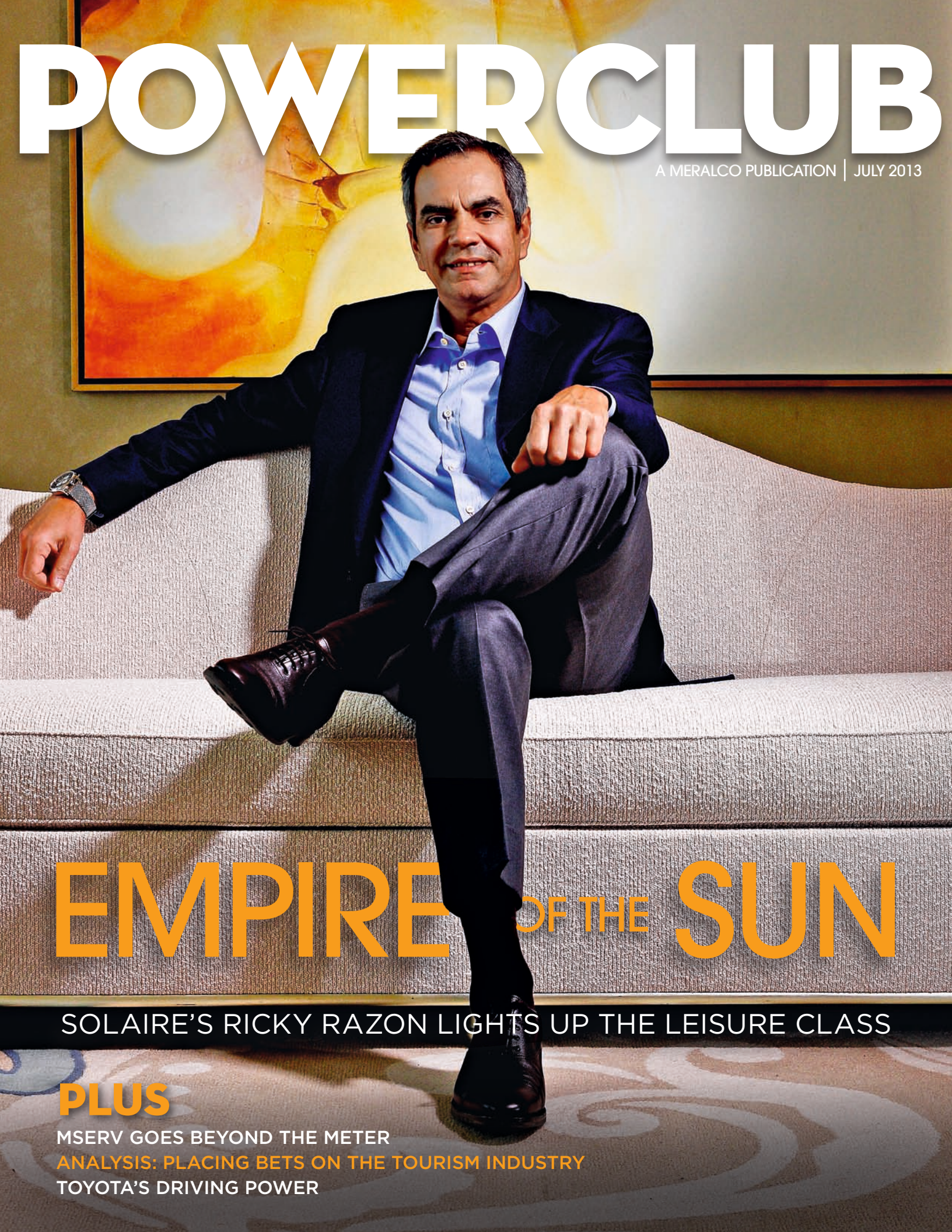
POWERCLUB

A MERALCO PUBLICATION | JULY 2013



EMPIRE OF THE SUN

SOLAIRE'S RICKY RAZON LIGHTS UP THE LEISURE CLASS

PLUS

MSERV GOES BEYOND THE METER

ANALYSIS: PLACING BETS ON THE TOURISM INDUSTRY

TOYOTA'S DRIVING POWER

THE CUSTOMER AT THE CENTER

A company in continuous pursuit of excellence, by instinct, moves forward with optimism. It focuses on the goal, no matter the circumstances. Year 2012 was our best thus far as we recorded all-time highs in financials and operational metrics. Our goal is to sustain these gains and in the process, create further consumer and shareholder value.

Our leadership is very clear about our growth agenda in five key areas: our core distribution utility, the Manila Electric Co. (Meralco); power generation through Meralco Power Gen (MGen); retail electricity supply through MPower; expansion of our distribution service beyond our existing franchise area; and growing our Meralco subsidiaries and affiliates.

To achieve all these objectives, Meralco has to become more than a power provider; we must become a true partner to the customers we serve.

Three years ago "customer centricity" became our mantra, our overarching goal. We began recharging relationships with our big clients, dealing more closely with them, as we wanted to know them better and serve them better.

A good example of this relationship-building is Meralco's participation in the general membership meeting of the Semiconductor and Electronics Industries in the Philippines, Inc. It was an excellent opportunity for us to better understand the needs and requirements of the entire semicon industry. We became aware of the challenges facing them, as the recession in Europe and North America depressed their export markets. As such, we need to work harder to help our semicon partners ease the pressures on their manufacturing expenses, since electricity makes up 50 percent of their operating costs.

Many of our new customer services will be the result of exciting technologies Meralco is investing in. One of these innovations is our upcoming prepaid electric service - we call this "K-Load" for instant recall – which is entering the commercial pilot phase soon. K-load allows our budget-conscious consumers to buy pre-paid loads, thus helping them manage their electricity spend better.

Meralco is also venturing into electric vehicles (EVs), with the goal of developing standardized Meralco EV charging stations. These charging stations are intended to support the EV projects of the Asian Development Bank, certain local government units, and the Department of Energy, which have been leading the introduction of e-Tricycles in the country.

Through good times and bad, we are with and will always be there to help our partners in business grow. That is what Meralco is here for. That is what being customer-centric is all about.

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

THE LURE OF PROSPERITY AND PLEASURE

The first quarter of 2013 has brought a wave of optimism across many sectors of the Philippine economy. Our GDP growth of 7.8% was the highest in Asia, even surpassing China. Investor confidence is high and business is booming in manufacturing, business process outsourcing services, and agribusiness. Toyota Motor Philippines Corp. revealed how bullish they are on the Philippines, and plan to increase manufacturing capacity for the local market.

We are also witnessing exciting growth in tourism, gaming and other leisure pursuits. Various stakeholders – small and large, private and public – are coordinating their efforts to make this country an investment and leisure destination of choice.

These efforts - from the "It's More Fun In The Philippines" campaign of Tourism Secretary Ramon Jimenez, Jr., to the Entertainment City project being promoted by Philippine Amusement and Gaming Corp. Chairman Cristino Naguiat, and to the recent opening of Enrique Razon, Jr.'s sparkling Solaire Resort and Casino - have caught the attention of the world. Travelers who knew next to nothing about the Philippines have made many positive and delightful discoveries, which they eagerly share with others. With more visitors headed here comes the need for improved facilities and more infrastructure.

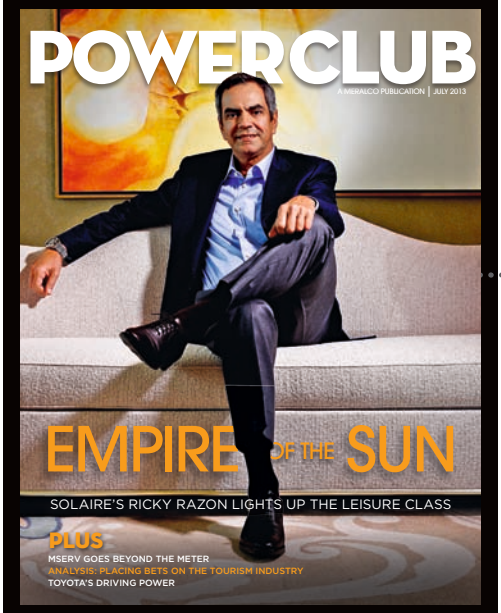
Meralco works very closely with the travel and leisure industry to ensure stable and reliable power, both for current operations and future growth. We hold regular strategic planning meetings with commercial developers so we will be ready for their needs even 10 years down the road. We have instituted close dialogue with national government agencies and local governments to fast-track the approval of our electric capital projects and expedite our quick energization program. Our beyond-the-meter energy solutions - like MServ's Meralco Managed Services – help customers achieve improved efficiency and better profitability.

Some of Meralco's programs look beyond our role as a power distributor. As part of our green initiatives to reduce carbon emissions, we've invested in an Electric Vehicle (EV) program. We want to standardize EV charging stations, so that manufacturers and owners of e-jeepneys, e-trikes, and other EVs will have easy and ready access to power anywhere in the country.

Meralco continues to invest in equipment, manpower and technological innovations to support the growth of all our corporate partners, and help the Philippines continue on its path to economic success.

Victor S. Genuino
Vice President and Head,
Corporate Business Group

Photography by **Doc Marlon Pecjo** Grooming by **Fennie Tan** Styling by **Xam Malaca**



MERALCO POWER CLUB MAGAZINE
VOLUME 3 ISSUE 2
PUBLISHER: **SUMMIT MEDIA**

A joint project with Meralco's Corporate Business Group, Marketing and Customer Solutions and Innovations, Corporate Communications

Published four times a year for key officers of Meralco corporate accounts

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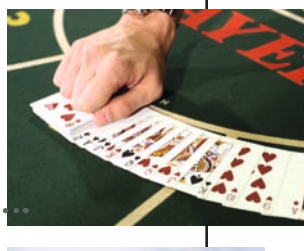


THE CHARGE BEHIND THE CHIPS

RCOA seen to help ease high power costs.

By Jun Ebias

Last May 2 to 4, top executives representing 214 of the country's leading semiconductor and electronics firms and their allied partners gathered at the Baguio Country Club. The occasion was the 112th General Membership Meeting (GMM) of the Semiconductor and Electronics Industries in the Philippines, Inc. (SEIPI), which met to elect new associate members, play some golf, socialize with friends, attend a CSR activity – and discuss the issues and challenges facing the industry.

On top of these issues is the high cost of power. Compared to Taiwan, Indonesia, Malaysia or Thailand, the Philippines has one of the highest power costs in the region. This is because local power prices remain unsubsidized by the government and heavily taxed, reflecting the true costs of generating electricity. These costs also reflect the infrastructure challenges of providing power transmission across an archipelago.

Electricity accounts for about 10 to 50 percent of the cost of goods sold by electronics companies, according to SEIPI President Dan Lachica.

Things got livelier when the discussion shifted to the retail competition and open access (RCOA) scheme. Scheduled for implementation on June 26, 2013, the RCOA allows customers that consume an average of one megawatt (MW) a month - the so-called contestable customers (CC) - to buy electricity directly from competing retail suppliers or from the wholesale market.

Dr. Dan Lachica, President of the Semiconductor and Electronics Industries in the Philippines, Inc.

From L-R: Steven H. Leece (Group Vice President and Managing Director of MOOG Controls Corp.), Jobert Almazora, (Meralco Senior VP and Energy Market Adviser), Norberto Bing Viera (President of Texas Instruments and Chairman of SEIPI)

This gives CCs the ability to buy power at the lowest possible cost. The RCOA will cover only Luzon and the Visayas.

Lachica hopes that the RCOA will indeed reduce power prices by introducing true open competition in the market.

"The high cost of power is the biggest problem of the electronics industry," said Lachica. "I am hoping that power generators and distributors can help in that area, including the implementation of the RCOA."

The government can further ease the prohibitive power costs by exempting power producers from the 12-percent value-added tax, if supplying power to companies in the Philippine Economic Zone Authority areas, he said.

Reducing operating costs is a critical matter for SEIPI. The electronics industry has been hit hard by the global drop in demand for its products. Latest data from the National Statistics Office showed that exports of electronics goods, which account for about 43 percent of total goods shipped overseas, dropped 24.45 percent in the first four months of the year versus the same period in 2012.

Still, SEIPI is optimistic that sales of electronics will recover from a 5.2-percent decline posted for the entire 2012. According to Lachica, SEIPI is forecasting a 5-to 6-percent growth this year. This is driven mostly by the normalizing demand in Asia, where economies continue to do well despite the weakness in Europe and the United States. The group is hoping that demand for tablets, mobile phones, automotive and digital products will

stabilize.

Sunil Banwari, general manager of ON Semiconductors Philippines, Inc., one of SEIPI members, echoes Lachica's confidence.

"We are optimistic that we are going to see a snap-up in demand," Banwari said at the same event.

"In our case, January and February were the slowest months; but right now we are seeing a good uptick. In the next six months, I can see our factories running at full capacity. We are seeing a recovery in demand not just in Asia."

ON Semiconductors has been operating in the Philippines for more than 35 years. It was spun off from Motorala 12 years ago.

However, Banwari is not that hopeful that the implementation of the RCOA will bring immediate relief to firms suffering from high power costs. "Right now, there is not enough generation capacity, so really, it's just a limited number of players. It's a sellers' market. Sellers can dictate pricing. But in the next three years, there will be enough capacity and it will be a true market where buyers and sellers can thrive on objective pricing."

The issues facing SEIPI on power and the RCOA are challenges Meralco is keen to address. According to Victor S. Genuino, Meralco vice president and head for the Corporate Business Group, over 90 percent of SEIPI's 102 manufacturing members are in Meralco's franchise area. Meralco itself is a member of the group, which counts as its members some of the country's biggest exporters of computer, mobile phone and television parts, among other products, such as Amkor Anam, Toshiba, HGST Philippines, and Samsung Electro-Mechanics Philippines.

During the meeting, Meralco was elected to the SEIPI's Board of Trustees as a non-voting advisor representing the Associate Members.

One way Meralco can help cut power costs is by helping SEIPI members properly assess retail supply contracts being offered by Retail Electricity Suppliers (RES).

"Meralco can act as an energy consultant for members. With the RCOA, comes better competition. What Meralco can do is to advice customers on what's the best contracting strategy that they can avail of, given the changes in the regulatory environment that we are experiencing now," said Genuino.

Aside from helping the contestable customers, Meralco had also taken care of its captive customers (or end-users) that include residential users, by negotiating new power supply agreements with the country's big power generators. Genuino said although consumers will see an overall 22-centavo per kilowatt hour (kwh) increase in their Jun bill, this is still a 48 centavos lower than the generation charge in June 2012 thanks to the new supply contracts. Plants selling to Meralco under the new agreements remained to offer the lowest rates.

Representing the government during the GMM was Warren Patrick Belvis, chief of the contestable market division of the Energy Regulatory Commission. Just like Meralco's Genuino and SEIPI's Lachica, Belvis is hoping that the RCOA's implementation will eventually lead to lower power costs.

From L-R: Dr. Yoshi Kobayashi, Alfredo Pacho (Chairman of Pricon Microelectronics), Norberto Bing Viera (President of Texas Instruments and Chairman of SEIPI)

"It's (RCOA's) goal is to create a vibrant industry driven by competitive prices through a healthy market for the benefit of consumers. Its implementation will reflect the true cost of power and use competition to drive down electricity costs."

After suffering from delays in its implementation last year, the RCOA kicked off on June 26, said Belvis.

He also assured SEIPI that the country has enough power supply to meet the anticipated rise in demand as the Philippine economy continues to expand.

"If we didn't have enough supply, we would be experiencing rolling brownouts already," said Belvis.

"According to the Department of Energy (DOE), we have several power plants coming on line from next year until 2016," he added.

The DOE expects eight new power plants with a total capacity of 868.7 MW to be operational from this year until 2015, according to the agency's web site. Existing power plants are also being rehabilitated and upgraded to add more capacity to the grid.

From L-R: Victor Genuino (VP and Head of Meralco's Corporate Business Group), Shigeru Takeuchi (Company Advisor, Sales and Marketing, Pricon Microelectronics), Sarah O. Garrovillas (Meralco CBG Relationship Manager)

THE SERIOUS BUSINESS OF LEISURE

The Philippines amplifies its allure as one of the world's most enjoyable tourist spots.

By Iris Gonzales

It is May in Manila and on most days, the thermometer reads 34 degrees Celsius. However, visitors don't seem to mind. Foreign guests and local travelers alike are filling up hotels. The growth is driving private developers to build more tourism establishments.

The roads from the Ninoy Aquino International Airport (NAIA) lead to a sprawling 100-hectare soon-to-rise gambling capital. Here, at the Solaire Manila Resort and Casino, nights are already filled with the endless clatter of chips changing hands between high rollers from nearby Macau and Singapore, as well as local Filipino gamers.

On another road near the newest airport terminal, NAIA-3, the Maxims Hotel offers a Jacuzzi experience where one can see planes taking off from the airport runway while soaking in a bubbling hot tub.

It is the same country where Hollywood actor/director Vin Diesel fell in love with the warmth of its people in just one jeepney ride. A country with the sophistication to lure Aerosmith's Steven Tyler to dine in an Italian restaurant right in the heart of Paco.

Tourism Secretary Ramon Jimenez, Jr. declared that the Philippines is dealing quite well with the growth not just of the tourism sector but also of the economy.

"I think what people should appreciate is that the Philippines is far from coping now. We have finally taken our place in leading economies in this part of the world. I keep telling people that it's a long time since we were the 'Sick Man of Asia'," Jimenez said in an interview with Power Club.

₱40B REGISTERED INVESTMENTS

The rise in private sector investments in tourism is a testament to the industry's vitality.

According to the latest data from the Board of Investments (BOI), close to P40 billion in investments have been registered from 2010 to the first four months of 2013.

Tourism-related investments in the country grew to 22 projects in 2012 from only 14 projects in 2010 and 21 projects in 2011.

In terms of project cost, these investments amounted to P30 billion in the last three years – P3.7 billion in 2010, P12.8 billion in 2011, and P12.6 billion in 2012.

From January to April 2013, five tourism-related projects totaling P7 billion were already registered with the BOI, which was more than half of the total cost of such projects in 2012.

According to the BOI, these tourism investments include accommodation facilities such as hotels and resorts, amusement/theme parks, tourism training, learning institutions, health and wellness, sports, recreational facilities and tourism transport services.

Secretary Ramon Jimenez, Jr. Department of Tourism

Photography by **Vincent Coscolluela** Art Direction by **Red Redrico**

For 2013 alone, these projects include: Bonifacio Landmark Realty Development Corp.'s *Grand Hyatt Manila* at the Fort Bonifacio Global City, Taguig (450 rooms), Bellesouth Pacific Properties Inc.'s *The Bellevue Resort Bohol* in Panglao Island (159 rooms), UIG Development Corp.'s *Stargate Dream Vacation Resort* in Cagayan de Oro (nine rooms), Hotel Specialist Inc.'s modernization of the *Taal Vista Hotel* in Tagaytay (128 rooms), and the Isabela United Doctors Medical Center Inc.'s new tertiary hospital in Cauayan City (80 beds).

"A lot of those in the private sector feel that they do things not only because they love their country but also because it's a growth area. There is money to be made in tourism now," Jimenez said.

He added that 2011 campaign, "It's more fun in the Philippines," has led to renewed interest in the tourism sector as a profitable industry.

The growth in visitor arrivals support Jimenez' statement.

"For the second time under this administration, the tourism sector is able to sustain one million arrivals for the first quarter of the year. Moreover, the sector is on track towards achieving the year-end target as arrivals are already hitting 23 percent of the target for the year."

In March alone, visitor arrivals increased to 11.28 percent with 417,392 visitors from 375,083 in the same period last year, marking the fourth consecutive month that the volume of arrivals breached the 400,000 mark.

Visitor arrivals from January to May this year reached a record high of 2.01 million, up 10.54 percent from the same period last year, according to the latest data from the Department of Tourism. Arrivals in May alone though, slipped to 362,062, owing possibly to the current row between Taiwan and the Philippines.

The government's total arrivals target for 2013 is 5.5 milion.

HOTELS GROW WITH THE FLOW

For the Ayala Group's Seda Hotels, the industry outlook is rosy.

"The industry outlook is very positive especially with the great strides that the government has achieved in enhancing the world's perception of the Philippines, both from a business standpoint and as an exciting tourist destination," said Andrea Mastellone, Seda Hotels Group General Manager.

He said the government's efforts in promoting tourism also resulted in strong private sector investments.

"The corporate segment is also strong as a result. These have led to a substantial increase in visitor arrivals and the entry of new hotels," he said.

The launch of Seda itself in December 2012 is an offshoot of the growing tourism industry.

"Occupancy rates have shown consistent growth over the past several months."

Created as an urban lifestyle hotel, the Seda brand offers a fluid hospitality experience with modern accommodations, state-of-the-art technology and exceptional service, all under the proposition of providing excellent value for money.

Mastellone said the Ayala Group has incredible foresight and vision and was one of the country's pioneers in the hotel industry, going back to the late 1960's with a management contract with InterContinental Hotels.

The Ayala Group is also behind other big hotel brands such as Marriott Hotel in Cebu, Holiday Inn and Suites, Raffles and Fairmont Makati.

"Given the success of all these investments, coupled with the bright prospects for the tourism industry and their confidence in the Filipino's capability to compare with the world's best, the Ayala Group decided to establish and manage their own hotel brand," Mastellone said.

With the positive environment, the Ayala Group expects to expand the business in other key areas in the country.

"Seda Hotels are up and running in Cagayan de Oro and Davao, with others soon to open in Nuvali, Circuit Makati, and the Trinoma area. Further expansion is in the works as Seda Hotels are intended to be an integral part of Ayala Land Inc.'s mixed-use development projects in key cities of the Philippines."

ECOSYSTEMS FOR FUN

With all these developments, Jimenez said the Philippines is capable of meeting its target to attract 10 million visitors by 2016.

"We are on track of our target of 5.5 million foreign tourist arrivals for 2013. By the end of the Aquino administration in 2016, the number of tourist arrivals is expected to hit 10 million," the Tourism chief said.

He said the government is stepping up efforts to build the necessary infrastructure including tapping the private sector for roads, bridges and accommodation facilities.

"It's very important to note that the National Tourism Development Plan (NTDP) hinges around the concept of clustering. You have a gateway, a seaport and around that you would identify certain tourism sites that would be clustered around that airport or seaport. This is a tourism cluster that would need infrastructure that would connect them to the gateway, connect them to each other. Therefore you would need accommodation facilities, hotels, entertainment areas, gathering places like market and malls so

The stylish King Room at Seda Hotel

Source: Department of Tourism/National Statistical Coordination Board

The historic highs achieved in the annual visitor arrivals are driving the private sector to invest more in the tourism industry - building more hotels, establishing more tours and travel agencies, and offering more services to enhance the traveler experience.

when you talk about infrastructure, you basically have to create an ecosystem that will interconnect with more than one tourist area," Jimenez explained.

The DOT has identified 78 areas around the country where the government needs to focus on, dubbed Tourism Development Areas. According to the NTDP, the government needs to pour some P74 billion nationwide to construct various tourism-related infrastructure such as roads, ports, bridges, and airport improvement. The rest, at P191 billion, has to come from the private sector in terms of "hotels, resorts, leisure-entertainment-shopping, health and wellness, convention, event/ exhibition, cruise and transportation facilities," according to the NTDP.

An additional 50,867 hotel and resort units had been targeted for construction from 2012 to 2016.

BETTING ON THE FUTURE

At one of these tourism development areas, the government's vision of turning Manila into a gaming haven in the league of Macau or Singapore is coming to life. The sprawling 100-hectare Entertainment City, managed and regulated by the Philippine Amusement and Gaming Corp. (Pagcor), already has four licensees looking to start operations soon.

"There's a big chance - and I'm betting on it - that we could beat Singapore in terms of gross gaming revenues," Pagcor chairman Cristino Naguiat said, referring to the Entertainment City.

"Hopefully, in four years time, we will do $6 or $7 billion so definitely, we will reach $10 billion eventually," Naguiat said.

At present, the industry churns out $2.25 billion in gross gaming revenues a year.

The licensees of Entertainment City are Enrique Razon Jr.'s Bloomberry Resorts and Hotels, Inc., *(see cover story, "In the Halls of the Sun King", page 10),* The SM-MELCO Crown Consortium, Travellers International, Hotel Group, Inc., and the Japanese-led Tiger Resort Leisure and Entertainment, Inc.

Chairman Cristino Naguiat Philippine Amusement and Gaming Corp.

Razon's Solaire Resort and Casino opened in March with no less than President Aquino as Guest of Honor.

"Everybody is trying to rush everything. Solaire was able to raise the bar. Everybody now is trying to match or even surpass Solaire. By 2018 it's very easy for total gaming industry to hit $10 billion in gross gaming revenue. By 2016, $5 billion is easy," Naguiat said.

The Pagcor chief is quick to shrug off criticisms that the Entertainment City might turn the Philippines into a gambling republic.

"Gaming is a small part. Gaming is not the main attraction. The real attraction is the whole Philippines with its tourist sites," Naguiat said.

Aside from the many economic benefits to the country, Solaire was able to bring home 400 Filipinos working in the hospitality industry abroad.

"Now, they're all working here. Solaire was able to set the trend in terms of the workers," he said.

ENERGIZING ENTERTAINMENT

Building a world class entertainment city is only possible if there is a solid, dependable utility behind it, powering not just the hotels and restaurants, but every single slot machine as well.

That's why, without the Manila Electric Co. (Meralco), Naguiat said there would be no Entertainment City.

"Definitely we have to be partners with Meralco. Without them Entertainment City will not rise. There should always be public-private partnership in everything, " he added.

Meralco is benefitting from all the developments in the economy, including infrastructure and tourism investments.

"Our country is on a roll," Meralco president Oscar Reyes said during Meralco's annual stockholders' meeting last May 28.

Meralco's electricity sales went up by 3.2 percent in the first four months of 2013, buoyed by the 9.2-percent surge in sales volume in April alone. He said the opening of the Entertainment City in March helped boost electricity sales.

"This is good for us, the growth in the economy - including tourism," Reyes said.

Seda Hotel's Mastellone agreed.

"Stable power supply is key to the efficient operation of any business. For a hotel, this is critical because we sell comfort and convenience to travelers. Needless to say, Meralco is a vital partner in any destination where Seda Hotels are located," Mastellone said.

Indeed, the Philippines' growth story does not end here. Jimenez believes the Philippines is ready for more.

"We are far from perfect but neither is Bangkok and the other countries. What sums it all up is that tourism is not about perfection. Tourism is by its very nature serendipity. You only find out what you've gotten yourself into when you've stepped off the plane. But all accounts, the Philippines has turned out to be quite an exciting time for our visitors," said Jimenez.

Photography by **Jun Pinzon** Art Direction by **Red Redrico** / Hotel photo courtesy of **Seda** / Gaming photos courtesy of **PAGCOR**

NAIA-3: THE AIRPORT AUTHORITY'S MAGIC WAND

The problems plaguing the country's premier gateway are legion. Can one terminal ease them all?

By Jun Ebias

With a total traffic count of 32.1 million passengers in 2012, Manila's Ninoy Aquino International Airport (NAIA) now ranks 34th among the world's busiest airports. If the Philippines wants to attract 10 million foreign visitors by the year 2016, the country needs to improve its international terminals.

But its premiere gateway to the world is plagued with issues that run from the irritating to the downright alarming. Issues like the lack of airconditioning; old, cramped comfort rooms that lack water or functioning faucets; long and numerous queues from the main entrance to the final boarding gate; crowded passenger lounges; long waits at the baggage carousel; and protracted flight delays due to limited runway capacity. And, most recently, falling debris that could endanger lives.

These are some of the many challenges facing Jose Honrado, general manager of the Manila International Airport Authority (MIAA). The 62-year-old retired Air Force general said the agency is implementing various measures to uplift the conditions at Manila's passenger terminals, especially the old Terminal One (NAIA-1), which is in dire need of rehabilitation. NAIA-1 is where the bulk of international flights go through the country's capital.

In 2011, the travel blog *The Guide to Sleeping in Airports*, bestowed NAIA-1 the title of "worst airport in the world." In 2012, acknowledging a few, though "not fast enough" improvements, the travel site cut it some slack, declaring it only as the "worst in Asia." (*http://www.sleepinginairports.net/2012/worst-airports.htm#.Ua1g_hy-FDQ*)

Getting Terminal Three fully operational is the key.

To reverse negative perceptions of the old terminal, Honrado plans to bid out, and hopefully, start work on NAIA-1 before the end of 2013. The list of repairs are numerous, covering its basic structure and architecture, as well as its mechanical, electrical, plumbing and fire protection facilities.

To address the falling debris that had recently been reported in the news, MIAA plans to cover NAIA-1's 30,000 square meters of walls with tiles that will cost around P151 million. This project has yet to be bidded out, however.

"This building is 31 years old. The ones that are falling are the plasters that were used for the finishing," said Honrado, who took the helm of the agency tasked to manage the country's airports three years ago. "We will remove the plasters and replace them with tiles."

Honrado also seeks to update the NAIA-1's back-up power capacity, in order to provide full services, operations and even airconditioning during outages. The current back-up power supply is only intended to keep computers and lights running.

To ease long queues at the international passenger terminals, MIAA is negotiating with the country's airlines to incorporate the terminal fee in their airfares. This is already being done for domestic flights.

Passengers who, by law, are exempt from paying the terminal fee - Overseas Filipino Workers (OFWs), athletes competing abroad, and religious pilgrims - will be refunded later. The agency has already held discussions with the Philippine Overseas Employment Administration and the Overseas Workers Welfare Administration to help them inform the OFWs about this plan.

The real solution however, lies in bringing NAIA-3 to full operation. NAIA-3 can handle up to 18 million passengers, but is handling only up to 11 million at present. According to Honrado, NAIA-3 is still only 30 percent systems operational, while only 52 percent of its total land area is being used.

Work is currently being done on NAIA-3 to improve its viability and rehabilitate operational systems that have been damaged due to years of disuse. Honrado expects the rehabilitation, refitting and repairs to be completed by the first quarter of 2014.

Once NAIA-3 is fully operational, MIAA will transfer 3.5 million passengers from the older NAIA-1 to ease congestion.

Honrado declared: "The full operation of NAIA-3 is the magic wand that will take away almost all of these problems that we are encountering now."

The government is also working to improve the flow of traffic between the three international airports in Manila.

The most immediate plan is to purchase shuttle buses that will use side streets instead of main roads to avoid traffic.

The shuttles will be free for passengers and will be available towards the end of 2013, possibly before Christmas.

The other, more long-term solution is the construction of the NAIA expressway that will link the three airport terminals. The P15.86-billon project was recently bidded out by the government and consequently awarded to by San Miguel Corp.

The project will involve the construction of a four-lane elevated expressway that will also link the three terminals to the Skyway and the Manila-Cavite Toll Expressway.

When all these improvements and infrastructure projects are completed, Manila's international airport should finally be able to take full advantage of the tourism boom and become the proper gateway to a country brimming with economic confidence.

New passport control booths speed up passenger flow.

NAIA-3 photo courtesy **MIAA**

Photography by **Jun Pinzon** Art Direction by **Red Redrico**

IN THE HALLS OF THE SUN KING

Ports tycoon Enrique Razon, Jr. bets big time on the Philippines' future as a global gaming center

By Tina Arceo-Dumlao

In the über-luxurious Chairman's Villa at the spanking new Solaire Resort and Casino, where the exclusive club of high rollers from here and abroad stay while they bet a fortune on the baccarat tables and slot machines, billionaire **Enrique Razon, Jr.** cuts an imposing - and impatient - figure.

The tall and lean 53-year-old chairman and president of Solaire developer Bloomberry Resorts Corp. manages to sit still for just a few minutes, long enough for a professional photographer to take a couple of deceptively casual shots for the magazine cover, but no more.

After all, this Business Administration graduate of De La Salle University already has his hands full dealing with more serious and game-changing matters that demand - and are worthy of - his full attention.

Razon - Ricky to his close friends and family, but EKR to the rest – got no favors when he started working at the arrastre and stevedoring services of his father, the late Don Enrique "Pocholo" Razon. The younger Razon started from the bottom - driving forklifts and operating cranes.

At the International Container Terminal Services Inc. (ICTSI), the port operating firm founded by his father in 1987, he took on more managerial responsibilities and finally assumed its chairmanship in 1995, upon Don Pocholo's passing. By then, the younger Razon had already started steering ICTSI toward a feverish global expansion.

As of March 2013, Razon was estimated by Forbes Magazine to have a net worth of $4.9 billion, making him the third richest Filipino. Even so, he is not one to rest on his laurels.

FROM CARGO HANDLING TO TOURISM

It wasn't enough for Razon to be chairman and president ICTSI, the listed billionv-peso company involved in the management and operation of 27 ports and terminals in 19 countries that remains on the lookout for opportunities in Asia, Africa, the Americas and Europe.

While his family has long been involved in marine cargo handling going back three generations, Razon has taken on the monumental challenge of making the Philippines a byword in the global world of gaming; a place that can stand alongside traditional gaming destinations like Macau or intrepid upstarts such as nearby Singapore.

To accomplish this, he has already bet an initial $1.2 billion on the construction and development of Phases 1 and 1A of the Solaire integrated resort complex in the Philippines' Entertainment City.

The components of Phase 1A include a 300-all-suites hotel, a shopping center with luxury shops, an entertainment theater, plus parking for nearly 4,000 cars. Razon told stockholders of Bloomberry Resorts during their meeting last June 24 that as of June 2013, Phase 1A, which alone has an estimated price tag of $500 million, is already at 40-percent completion, and should be fully completed by the third quarter of 2014.

As Razon said during the lavish opening of the resort casino on March 16, attended by political heavyweights including President Benigno Aquino, Solaire "will be central to achieving the National Tourism Development Plan's goal of 10 million tourists by 2016." *(See "The Serious Business of Leisure," on page 6.)*

"We have worked very hard to bring into Solaire the finest and the brightest - from architecture and construction, interiors and amenities to gaming, cuisine and entertainment. Solaire will be an exceptional destination resort and gaming complex, the like of which has not been seen nor experienced in the Philippines," Razon told the crème de la crème of Philippine society who were present at the grand opening.

Solaire is definitely on the right track; in the first 15 days of operation alone, Solaire generated P578.3 million in revenues, with P495.6 million from gaming operations and P57.1 million from its eight topnotch food and beverage outlets, led by the signature restaurants Red Lantern, Yakumi, Strip Steakhouse, and Finestra. The balance came from retail revenue as well as lease rentals, communication and transportation services.

IRONING OUT THE KINKS

Razon admitted, however, that there remain kinks that need to be ironed out and he has devoted a portion of his valuable time to making sure these concerns are addressed, to ensure the smooth operation of Solaire as demanded by the wealthy customers it seeks to attract.

Barely a month after Solaire opened, water poured from the ceiling over the casino area, drenching a few slot machines and players in the process. The incident was attributed to a burst water pipe. The toilets near the wet area also malfunctioned soon after. To the establishment's credit, these problems were immediately addressed.

Razon said half in jest that ICTSI is his

Solaire rises against the backdrop of Manila Bay, marking the birth of a new Entertainment City.

Photos Courtesy of **Solaire Resort and Casino**

A stay at the hotel begins (and ends) at the stunning, magnificent Reception Desk.

day job and Solaire is his night job.

"The first few months are all about kinks and fixing mistakes. But once you get the systems going smoothly, then operation will become easier and the experience will be better, everything will run like a well-oiled machine," Razon said in the interview.

This year alone, Bloomberry is spending $15 million for additional transportation, slot machines for the casino, equipment for the hotel, plus engineering modifications and enhanced security.

Razon is so far the biggest investor in the Philippines' fledgling gaming sector and he strongly believes in Solaire's and Bloomberry's prospects. He is convinced that the Philippines can be a serious challenger to other gaming venues for gamers' money.

"We can get markets away from our competitors and the Philippines can even equal Singapore's gaming revenue in three to four years," said Razon.

For one thing, the Philippines is not new to the gaming world, with the Philippine Amusement and Gaming Corp. having been around since the 1970s, promoting the gaming industry to Filipinos. Another advantage is the country's convenient location, making it easily accessible to gamers from other Asian countries.

Local gamers were the first to embrace what Solaire has to offer. Visitors come in droves everyday, with 10,000 to 12,000 arriving on weekdays and up to 15,000 to 16,000 weekends. This volume gives the integrated resort a large and steady market to complement the high rollers coming in from all over Asia, particularly fast-growing China.

"We are not lacking in foreign players. They come from Hong Kong, Taiwan, China, basically all over Southeast Asia. I would say that dozens of foreign players come here every day, many of them high rollers," said Razon.

ATTRACTING ASIA'S HIGH ROLLERS

He said the primary need to bring in the high rollers - seriously wealthy gamers who make single bets worth millions - prompted Bloomberry to take the risk in making sure that the services and facilities will meet their discriminating tastes, even if it means shelling out huge chunks of capital.

A spectacular chandelier lights up the grand intersection at the Gaming Area.

"You have to be at least equal to what you are competing against from day one," stressed Razon, who makes it a point to go to Solaire at least every other day when he is in the Philippines to make sure that everything is running as they should.

Failure to do so will mean that Solaire - indeed the Philippines - will not stand a chance of being noticed by the moneyed gaming enthusiasts, whose spendings can invigorate the local economy.

Razon said another major factor going for the Philippines is its natural competitive edge in services.

The famed Filipino hospitality certainly goes a long way in the gaming industry, a factor which Solaire has used to its advantage. It currently employs over 4,500 Filipinos including those with valuable experience in gaming establishments abroad who can meet the exacting standards of the target clientele.

"Some 450 Filipinos have come back from gaming establishments in Singapore, Macau and Hong Kong. Culinary people from Dubai are also here. They are the ones trained at the highest level of service. If you want to compete at that service level, you need them," said Razon.

With the government taking serious steps in improving local tourism infrastructure and supporting the growth of the gaming industry, Razon expressed confidence that Solaire's investments in infrastructure, people, and marketing offices across Asia, should pay off sooner rather than later.

To achieve this, Razon is also banking on a competitive, reliable, and high quality power supply from the Manila Electric Co. (Meralco). Like most investors, he is currently grappling with one of the most expensive power rates in Asia.

He still hopes to be able to get continuous support from Meralco, given the load of Solaire and the nearby port that ICTSI operates, to keep both operations viable.

Electricity is a major cost component for an establishment like Solaire which practically operates 24/7, directly impacting on its profitability. It is also essential to its operations, because many of the gaming machines need power.

For its part, Meralco is planning to build a substation, costing P1.156 billion, dedicated to provide quality, reliable electricity solely for the Entertainment City. Pending approval from the Energy Regulatory Commission, the Entertainment City substation is targeted for completion in mid 2014.

RIDING ON THE COUNTRY'S GOOD ECONOMIC NEWS

The executive with fingers in many financial pies shared that he jumped at the chance to bid for the four licenses to put up

Courtesy of **Solaire Resort and Casino**

gaming facilities in Pagcor's Entertainment City, because he sees the gaming industry as a high growth sector that will bring in hefty returns for many years down the road.

The numbers are bearing him out.

"Macau did $38 billion in revenue last year and it grew by 24 percent in the first quarter this year, so we're talking about gaming revenue of $11 billion to $12 billion a quarter. The total global gaming market is expected to grow by another 30 percent this year. On the other hand, the entire Philippine gaming market last year was about $1.8 billion, thus even if we grew significantly, Macau won't feel it, it won't even notice."

The economy is booming and foreign credit watchdogs have awarded it an investment-grade credit rating, making other countries sit up and take notice of the positive developments in the economy in general and the gaming sector in particular.

Razon said the timing was also right to get into tourism.

"The situation today in the country is very much different. The Philippines is in a different place than where it was. The gamble there of course is that it continues, but the risk is really global, like monetary policies in the United States and Europe. But in business, you have to risk and be able to survive any environment," said Razon, who took over the helm of ICTSI when he was just 27 years old and then expanded it to the multinational that it is today.

He said he had always been fascinated with the tourism industry, in which he believes the Philippines can really excel, given its varied natural attractions and the warm hospitality of the people.

He, however, is the first to admit that tourism is quite different from port operations, on which he is undoubtedly an expert.

"This is a much more people-oriented business. In port operations, I handle containers that don't complain," he said

FIRST-MOVER ADVANTAGE

But Razon is nothing if not a fast learner, and Bloomberry is already in the thick of preparations to complete phase 1A, which involves the construction of an all-suite hotel tower, high-end retail establishments, and lyrical theater. These enhancements, targeted for completion by the middle of 2014, will give Solaire a total entertainment portfolio, to make it a true tourist destination in its own right.

It won't be long, however, before local competitors try to muscle in on the resort casino's territory.

Rival establishments are already setting up, with the Sy, Tan, and Okada groups building their own gaming establishments - all targeting the high rollers who will not think twice about making five-figure bets on a single hand of poker.

Razon is confident, however, that Solaire has the first-mover advantage and that the addition of more choices will only strengthen the Entertainment City's position as an exciting gaming destination.

He also believes that the market is big enough for all of them.

"Four of us in this area will make the whole area attractive, making it even more of a destination. And the government's plan to build an expressway to the international airport is also a key factor. Then there is China," said Razon, "China has close to 200 million people who can afford to go abroad and we are so close to China. More importantly, the Chinese like gaming, but they need world-class gaming establishments like Solaire."

Razon truly has a fortune riding on the tantalizing possibilities presented by gaming in the Philippines. He stands to either win or lose big, but he is banking on the growth story of the gaming sector, and investors in Bloomberry subscribe to the same philosophy.

"If you believe in the upside then Bloomberry is for you. But I will not advise anybody to take a short view. Gaming is a long-term growth story."

If Razon's enviable track record is any indication, then it is one story that will most likely have a very happy ending.

> "You have to be at least equal to what you are competing against from day one."

Photography by **Jun Pinzon** Art Direction by **Red Redrico**

TOYOTA'S DRIVING POWER

Growing demand and a spirit of optimism fuel an automotive giant's vision.

By Paul Anthony A. Isla

Photography by **Jun Pinzon** Grooming by **Fennie Tan** Art Direction by **Dondi Limgenco**

The engines of Toyota Motor Philippines, Corp. (TMPC) are at full throttle to meet the forecasted growth in vehicle demand in 2013.

With another banner year expected of the local automotive industry, Michinobu Sugata, president of TMPC, shares that they will be increasing production to cater to the growing local demand.

TMPC is the local arm of Japan's automotive giant, Toyota Motor Corp.

Sugata reveals that they produce the Innova and Vios locally at their Santa Rosa Plant in Laguna. "We have increased our annual production capacity by 10 percent to 33,700 units this year from 30,500 in 2012. And this year, we expect to produce more than 36,000 units," he adds.

Sugata admits that producing other models locally will depend on cost competitiveness. The volume difference and supplier base, he says, make production costs higher than in Thailand and Indonesia.

"We need government support to stimulate the automotive manufacturing business here. With the appropriate support from the government and our cost-reduction efforts, we will have a chance to produce more models in the future," he says.

Sugata notes that the Philippine automotive market has been growing, which is evident in the 11 percent year-on-year growth in 2012 and record-breaking sales of 183,000 units. He quickly adds that Toyota alone has cornered 35.8 percent of the market last year, after growing sales by 20 percent to 65,936 units.

Sugata says the automotive industry, led by the Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI), is projecting to breach 200,000 units, making 2013 another banner year. "Based on this trend, we will now be seeing the start of further market expansion."

As the market expands, Sugata acknowledges that competition will be tougher for Toyota. "We've also seen a number of brands introducing more models in the last few months, and we can expect more models coming in this year. But this is good for the market, as this not only stimulates demand but more importantly gives the customers wider options to choose from."

Given this growing market and increasing competition, Sugata says they aim to sell more than 75,000 units. In achieving this target, he says they will further enhance the 'Quality, Durability, and Reliability' their products are known for.

On top of that, Sugata says, they will also expand their dealer network. "To date, we opened four new dealers and increased our presence to 35 outlets nationwide. A number of new dealerships are under construction; we expect our network to grow to about 45 outlets by the end of the year."

Aside from new car sales, Sugata announced that they started their certified used-car business last year with four pilot dealerships. Although the resale value of Toyota vehicles is known as the best in the market, the company still wants to encourage its customers to replace their current Toyota vehicles with newer models.

Sugata discloses that they plan to increase the number of their used-car outlets this year, and they could probably have a total of 10 outlets by the middle of 2013. "In the near term, the used-car business will play a crucial part in Toyota's customer retention program."

He also hints that the next several months will be exciting, with major improvements to their passenger cars and new additions in their commercial vehicle segments. On top of the recent launch of models like the 86 Sports Coupé and the Rav4 Crossover sports utility vehicle, they will soon introduce a new model for the Lexus.

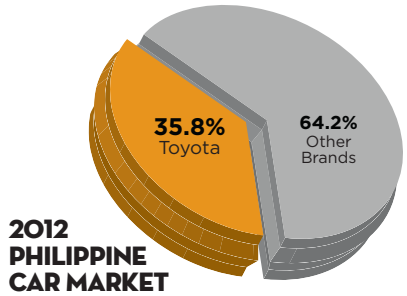
Sugata adds that Toyota and Lexus have the widest hybrid vehicle line-up in the Philippines, and they have more models planned in the future. "For me, this is our proposal to the market as a measure to conserve the limited natural resources and take care of the environment."

Sugata says they are tasked to reduce the cost of hybrid vehicles; having more such vehicles will benefit their customers and environment in the future.

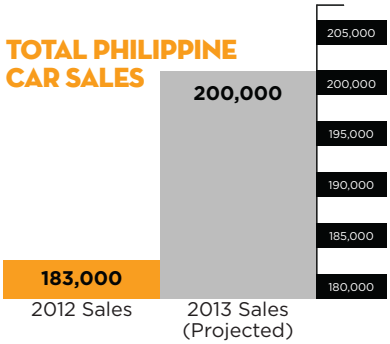
MOVING FORWARD WITH MERALCO

With a power-hungry production facility in Santa Rosa that will manufacture more cars locally, Sugata says having affordable and reliable, good quality electricity is crucial for them.

He discloses that they intend to continue sourcing all their power requirements from the Manila Electric Co. (Meralco), but, "as the Retail Competition and Open Access (RCOA) regime is set to begin in the middle of the year, we plan to ask Meralco for its support as we are one of its 'contestable customers.'" customers." In a RCOA environment, contestable customers have the option to choose among several power suppliers.



2012 PHILIPPINE CAR MARKET



Source: **CAMPI**

Source: **Toyota Motors Philippines Inc.**

Sugata says they are negotiating with several retail electricity suppliers, including MPower, the retail electricity supply arm of Meralco, which he thinks will be the most reliable source. "So I hope MPower can give us a better price," he says with optimism.

From a technical point of view, Sugata says they have been satisfied with Meralco's distribution service, adding that power interruptions have been rare and that service is immediately restored in the event there are disruptions.

Apart from providing TMPC its power requirements, Meralco is also helping the Philippine Automotive Competitive Council Inc. in developing the Philippine automotive industry. "Meralco is assisting us and trying to bring the automotive industry to flourish. For me, Meralco is not just a supplier but also a partner in the growth [of the industry]," he adds.

FROM MAKING CARS TO SHAPING PEOPLE

With the growing demand for Toyota-skilled mechanics domestically and internationally, Sugata says the Toyota Motor Philippines Technical School (TMP Tech) is scheduled to open in September this year, and will begin training around 250 students.

In 2010, they started a project with Toyota's authorized distributor in Saudi Arabia, Abdul Latiff Jameel. "Through the project, we trained the graduates of vocational schools in the Philippines for a year-and-a-half, and sent them to Saudi Arabia to serve as Toyota service technicians for three years. We have already sent 53 technicians and are going to send 127 trained technicians by the end of 2014," Sugata adds.

The project with the Saudi Arabia-based distributor inspired the TMPC chief to come up with the idea of setting up TMP Tech to support the needs of Filipino Toyota service technicians globally and domestically.

Sugata shared the idea with TMPC Chairman Dr. George S.K. Ty, who fully supported and encouraged the effort to show gratitude and appreciation to Toyota Motor Corp. for its more than 25 years of successful partnership with the Metrobank Group, which Ty also chairs.

Sugata says TMP Tech is one of Chairman Ty's ways of giving back to society. The school will produce highly-skilled Filipino Toyota technicians, to ensure their availability to dealers and service centers, both here and abroad.

"TMP Tech is geared towards nation building, as it aims to provide economically-challenged Filipino youth with quality education and a better future. My vision is to make TMP Tech as the regional hub for training. And apart from training technicians, it will also try to provide employment to its graduates. We will have abundant employment opportunities for our graduates domestically and globally."

With a vibrant economy gunning its engines, TMPC is looking forward to a strong drive ahead and an over-all revival of the Philippine motoring industry.

THE SIMPLER, THE BETTER

Microtel's formula for success hinges on giving its guests the best hotel experience – for less.

By Donnabelle Gatdula

Photography by **Jun Pinzon** Art Direction by **Red Redrico**

More than a decade ago, Jose Mari del Rosario saw an opportunity to build a mid-market hotel in Central Luzon, to cater to foreign and local travelers looking for clean, comfortable, safe and secure hotel accommodations at value rates.

Having worked in the hospitality industry here and abroad – he was the first Filipino general manager of The Manila Hotel – Del Rosario bought the Philippine master franchise of Microtel from US Franchising Systems (USFS). The result was the building of the first ever Microtel in 2001 at the Hacienda Luisita in Tarlac. (USFS has since been taken over by the Wyndham Hotel Group.)

Del Rosario's brainchild hit pay dirt. Today, there are 11 Microtel hotels - Baguio, Batangas, Boracay, Cabanatuan, Cavite, Davao, Gensan, Mall of Asia, Puerto Princesa, Tarlac and the Acropolis, Quezon City - operating in the Philippines, with many more on the way. Its flagship, the 150-room Microtel by Wyndham at the Mall of Asia, Pasay, has been touted as the largest property in the worldwide chain.

The 150-room Microtel by Wyndham at the Mall of Asia, Pasay, has been touted as the largest property in the worldwide chain.

GOING FOR THE MIDDLE

For Del Rosario, president and chief executive officer of Microtel Inns and Suites Pilipinas and Microtel Development Corp., Microtel is the perfect hotel concept for the Philippine market and a perfect model to upgrade the quality of accommodations in key destinations all over the country.

He stresses that lower-priced services do not have to compromise quality. "I think it's a good fit in the Philippines. There is an unsatisfied demand for quality but affordable accommodations outside of the major urban areas. Microtel fills this growing demand for cost-efficient business and leisure travel. Our team is strongly committed to deliver excellent customer service, and value priced accommodations and services at international standards."

At the same time, he feels that mid-market local and international travelers are a huge segment that is largely underserved.

"The mid-market for me is a solid market because all of China is one huge mid-market, so that's big. Plus Japan and Korea. All of those that are within the four-hour traveling range to the Philippines are all solid markets and they are all starting to travel. Plus, domestic tourism is very active because of the cheap fares."

NO FRILLS FOR HAPPIER GUESTS

What makes Microtel click is its "no-frills" concept; each hotel is designed as simple as possible.

"We only have one restaurant in the hotel compared to five-star hotels, which have eight restaurants competing with each other. We also outsource as many services as we can - that's why we are very agile and we are able to keep our labor force trim."

Another cost-saving design is that the floors in all the guest rooms are tiled instead of carpeted. This simple feature creates several benefits for Microtel's bottom-line - i.e. no shampooing or vacuum cleaning - thus more savings in electricity.

Microtel puts strong emphasis on energy efficiency. This, Del Rosario says, enables them to pass on the savings to their customers, with room rates that are 50-percent lower than a five-star hotel's.

"Right off the design stage, we are very conscious about energy-saving lighting. All are CFLs (compact fluorescent lamps). In some of the properties in the provinces, we're using solar power for the hot water. In our new hotel in Pasay, we are using an energy-efficient heat pump system for the hot water requirements. All of our air conditioning systems are inverters and all units are individually controlled per room. Our theory is, if we use centralized air conditioning, an empty room is a waste of money," he says.

Microtel also works closely and collaboratively with Meralco. "Stable and reliable power is crucial for hotels; that's why Microtel has 100-percent back up power in all its locations. We have to make sure that the guest experience is always comfortable and safe. Meralco helps by providing credible technical advice and giving us on-time service," he adds.

"They (Meralco) are very professional. They advise us on the best-use calculations for our load. The relationship manager assigned to us is very helpful in terms of guiding us in our power requirements. It is a very good relationship," he stresses.

'EXPANSION IS OUR PASSION!'

Optimistic of continuing growth prospects, Microtel is further expanding its reach to other key cities and provinces. This year, it is opening a P270-million, 120-room hotel at the UP Technohub, Quezon City, and a P255 million, 60-room hotel in Metro Sta. Rosa, Laguna.

> "All the Microtel hotels performed well in 2012 and are continuing to sustain their high occupancy rates and revenues in 2013."

By 2016, the Microtel chain will grow to 25 hotels, majority of which will be located in provinces such as Pampanga (Clark and San Fernando), Pangasinan; Bohol; Cebu; Tacloban, Leyte; Dumaguete; El Nido and Coron, Palawan; Koronadal, South Cotobato; Butuan, Agusan del Norte; and Tagum,
Davao del Norte.

The aggressive expansion program of Microtel, Del Rosario says, is banking on the thriving Philippine tourism industry. This year, the Department of Tourism is targeting 5.2 million in visitor arrivals.

"2012 was great, and 2013 is even better! All the Microtel hotels performed well in 2012 and are continuing to sustain their high occupancy rates and revenues in 2013,"
he enthuses.

"Our chain-wide occupancy in 2012 was 72 percent and given the same level of occupancy we have now, which is 70 percent for the first quarter 2013, we are confident that this year will be equally good. For 2013, we are targeting P530 million in gross room revenues."

For Microtel, like the tourism industry, the good news just keeps on coming.

Photo Courtesy of **Microtel**

ELECTRIFYING SOLUTIONS

MServ customizes beyond-the-meter systems for its clients.

By Donnabelle Gatdula

DEXTER LEE
President and Chief Executive Officer
Meralco Energy Inc. (MServ)

Photography by **Oliver Tam** Art Direction by **Red Redrico**

Meralco Energy Inc., which now operates under the brand name MServ, wants to make a reputation for itself here and abroad as a company that provides innovative energy solutions that continue past the customer's front gate.

MServ is gearing up for the growth of its Meralco Managed Services (MMS), which provides complementary solutions geared towards industries and complexes, where high power quality and reliability are needed.

MMS is the strategic outsourcing of all beyond-the-meter (customer load side) energy requirements to MServ's energy consultants, allowing companies to focus on their core business operations.

Launched in the second half of 2012, MMS spans the entire value chain – from engineering, procurement, and construction, facility operations and maintenance, to the deployment of innovative solutions such as electric vehicles and advance metering infrastructures.

MServ president and chief executive officer Dexter Lee said MMS was created to address electrical issues experienced by its many industrial and corporate customers. These customers include many others.

"We have had our best success in MMS with customers who've experienced major outages because of their current setup and now want to pro-actively avoid these costly business interruptions," he said.

When asked what makes MMS different from other energy efficiency services, Lee said, "I don't think anyone offers this type of service and service levels, in the market. In one after-the-meter service, for example, if customers need certain electrical equipment, we can help design, build, operate and maintain that for them. It's a unique offering you only get from MServ. I think that's a key advantage," Lee explained.

"We offer flexible arrangements from outright ownership of facilities to service level-based monthly payments (i.e. customers don't own the facilities and only pay for the services)," he added.

Aside from MMS, MServ also offers energy efficiency and power quality solutions (EE). This service is focused on the installation of equipment and establishment of controls to manage energy more effectively and improve power quality, to bring down the client's energy usage without compromising output or the environment.

With this, MServ also wants to place itself at the forefront of the energy efficiency revolution here and abroad in the near-term.

According to Lee, there are bright prospects for the company to provide both MMS and energy efficiency programs to other markets in Asia.

"We want to not only provide our customers with great end-to-end energy solutions or beyond-the-meter services. Our other aspiration is to develop the business locally and develop our reputation. We can go out of the franchise area of Meralco and eventually go international," he said.

The MServ executive also sees an increasing demand for its EE services, just like the MMS.

"Right now, some of our neighboring countries have subsidized rates and I think their governments won't be able to sustain that, and there would be pressure for rates to go up. At that point, there will be more demand for energy efficiency solutions," he said.

"MServ can go in, do an industrial audit for a customer to find out where there are inefficiencies in his power consumption. For example, do they have an overdesigned lighting system? Can you get the same amount of work with a more efficient lighting structure, not only bulb replacement but lighting design? We can also take a look at your HVAC cooling system. Are you using the best system for your current requirements? If not, we can retrofit that for you so you have a more energy-efficient system that provides equal if not better cooling. What's even better for the customers of EE services is MServ's ability to use the savings to pay for the retrofitting," he added.

BOOSTING MSERV SALES

Banking on the positive response of the market, Lee said these two energy services would also be the source of MServ's growth over the next three years which would include going outside the Meralco franchise area.

"In 2013, MMS and major energy efficiency projects will account for roughly 25 percent of MServ's revenue," he said. "We believe that these two major service lines will account for 60 percent or more of our estimated business of P1 billion by 2016.

To date, MServ has closed three MMS projects, with an additional three to four more anticipated closing this year. Meanwhile, the company continues to field plenty of inquiries about its services.

Optimism on further growth potential became apparent when its parent firm, the Manila Electric Co. (Meralco), started pouring more capital into MServ in 2011.

With additional capital, Lee said the company's role in the power conglomerate's chain became more relevant.

SYNERGY FROM HERITAGE

In a strategic sense, MServ completes the Meralco Group of Companies' Energy Value Chain. Being 100-percent owned by Meralco, Lee said, is an advantage. "With our Meralco heritage and Meralco expertise, we can give you a system that is going to be finished on time, that's going to cost you less in the long run," he said.

"For both our MMS and projects, I think again it goes to the question of 'can you rely on the promise and the guarantee of companies backing those guarantees?' I don't think there are a lot of companies that can give you the sort of peace of mind or guarantee that MServ can, because of our affiliation with Meralco. You know that if we say you'll have reliable power at a certain date or you will be able to save this much electricity. MServ, and by extension, Meralco, are promising this," he added.

Both Meralco and MServ aim to encourage productivity in industrial and commercial businesses, thereby improving their operating and financial results and ultimately moving the Philippines forward.

"It is our mandate. We were created with the aspiration to become the country's premier energy management firm by providing innovative energy solutions to industrial, commercial and large residential customers (of Meralco) and creating value for these customers through promotion of innovative solutions, energy efficiency, and renewable energy," Lee said.

Consistent with this mandate, MServ also became the first utility-backed energy service company (ESCO) in the Philippines. As an ESCO, MServ specifically provides beyond-the-meter energy services for consumer-owned facilities, energy-efficient products, power-quality solutions, innovative systems in advance metering infrastructure, and management of electrical facilities.

BACK TO ITS ROOTS

Meralco unit pushes the power generating business.

Following the nationwide power crisis of the late 1980's and early 1990's, private sector participation in power generation was aggressively encouraged by the government. While the Manila Electric Co. (Meralco) continued to focus on its core distribution business, it also decided to re-enter the power generation business. In 2010, the Meralco PowerGen Corp. (MGen) was formed with a management team composed of Filipino and expatriate executives with extensive experience in power generation projects across the United States, China, Asia, Europe and the Middle East.

According to MGen President Oscar Reyes: "Producing power is a strategic move that transforms Meralco from being a pure price-taker to a source of competitively-priced electricity. It is also just going back to our roots because when you look at history, the company started as a power generator and an electric service distributor."

As a wholly-owned subsidiary of Meralco, and one of the newest players in the Philippine power generation industry, MGen is seen to benefit Meralco's 5.2 million industrial and residential customers.

RESPONDING TO A NEED

The Department of Energy's (DOE) Philippine Energy Plan 2012-2030 states that 10,500 megawatts (MW) in additional capacity is needed for the next two decades for the Luzon grid alone, based on the projected economic growth of 4.79 percent. Demand in the Meralco franchise area was 7.1 percent in 2012. According to the DOE, this means a new 600-MW power plant needs to be online every year from 2016 onwards.

Reyes believes that the recent consecutive credit rating upgrades will fuel further economic growth for the country, underscoring the need for energy supply stability and quality. He adds that adequate, reliable and affordable power is crucial to attracting businesses that generate lots of jobs.

MGen plans to develop a diversified power portfolio of up to 2,700 MW from now until 2020, with environmental considerations and fuel selection driven by availability, reliability, and price to the system. This is part of an overall strategy to ensure that power generation is sustainable, reliable, and efficient.

SEARCHING FOR THE BEST SOLUTIONS

For every peso spent on electricity, 58 centavos goes to independent power producers, power generators, and participants in the spot market. This is essentially the cost of power generation that is passed on to consumers. MGen Executive Vice President and General Manager Aaron Domingo strongly believes that it is here where the company can make a big difference.

"In order for us to deliver competitively-priced power, we need to develop large-scale power projects. This is the economics of power plants – the bigger they are, the more efficient they will be, and consequently, cheaper power will be produced. We will develop and construct highly fuel-efficient, reliable and competitively priced baseload and mid-merit power plants that will ultimately be beneficial to customers. In the power business, every centavo counts."

The never-ending search for energy solutions has led MGen to explore many options. In 2011, MGen signed a shareholder agreement with the Aboitiz Power Corp. and the Taiwan Cogeneration International Corp. for majority control of Redondo Peninsula Energy Inc. (RP Energy). RP Energy is building a $1.2-billion 600-MW power plant within the Subic Bay Freeport Zone using circulating-fluidized-bed technology, considered the latest environmentally sound coal technology.

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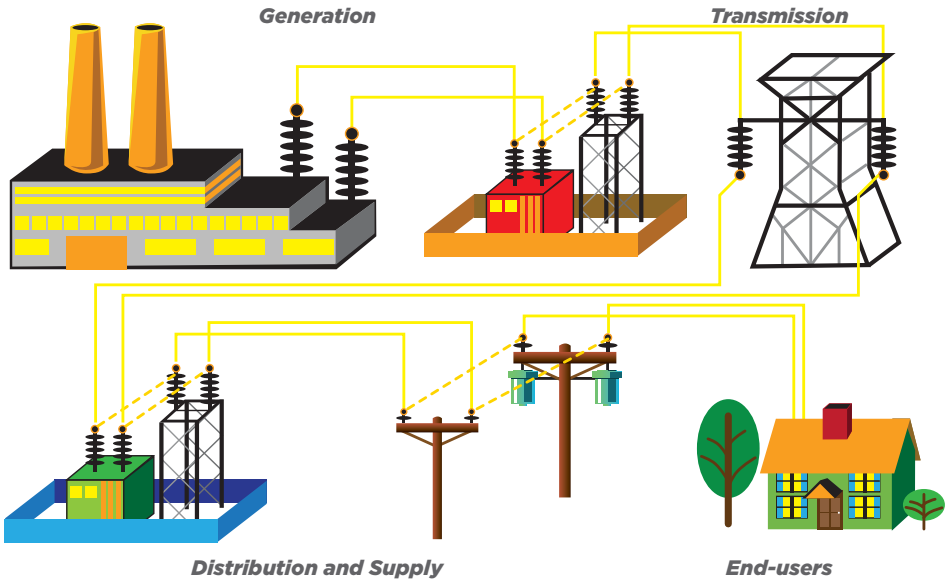
SUPPLY CHAIN OF THE POWER SECTOR



Infographic by **Red Redrico**

SHOOTING GOALS FOR A BRIGHTER FUTURE

One Meralco Foundation sponsors 'Football for Peace' to train kid athletes from conflict areas.

(L-R) LMSFC Striker Phil Younghusband, LMSFC Midfielder James Younghusband, LMSFC Head Coach Vince Santos, OMF Jeffrey Tarayao, PMC Deputy Commandant BGen REMIGIO VALDEZ AFP, PMC LtCol STEPHEN CABANLET and PMC LtCol JOSELITO CACUTAN

The social development arm of Meralco, the One Meralco Foundation (OMF), and the Loyola Meralco Sparks Football Club (LMSFC) teamed up with the Philippine Marine Corps (PMC) in an event dubbed "Football for Peace." This is a sports initiative focused on developing and honing football skills and instilling values of discipline, camaraderie, teamwork and sportsmanship.

Since 2011, the PMC has conducted football clinics near its detachments to provide opportunities for children living in war-torn areas, improve their athletic skills and prevent them from being drawn into the armed hostilities that ravage their communities.

This year, the football clinic was held at the Bonifacio Naval Grandstand in Fort Bonifacio, Taguig City last April 22. About 176 kids from Cotabato City, Tawi-Tawi, Sulu, Sultan Kudarat, and Palawan were flown in to learn the proper rules and techniques of football.

PMC's "Football for Peace" Festival also includes educational tours and friendship games.

ROLLING WITH THE ROLE MODELS

This clinic was made more memorable by the participation of top footballers, Phil and James Younghusband.

One young participant excitedly said, "*Natutuwa po talaga kami dito sa 'Football for Peace' dahil marami kaming natututunan, tapos ngayon nakalaro pa namin ang mga players na magagaling sa* football. (We are really happy with 'Football for Peace' because we learned a lot, and even got to play with great football players.)"

Before the actual football clinic began, James Younghusband addressed the crowd of young, wide-eyed fans, saying, "I know we're all aching to just get on the field right now. But the important thing is to have fun out there!"

Aside from coaching the kids, LMSFC players also sought to inspire them by sharing their experiences in football and life in general. They hoped to motivate the children into pursuing their favorite sport, whether it is football or basketball, not only for a sense of achievement but also for the opportunities that await them as future athletes.

Members of the Meralco Football Club, company employees who are also football enthusiasts, were also present during the clinic, assisting the LMSFC players and imparting their own wisdom.

ENERGIZING THE YOUTH

Aside from co-sponsoring the football clinic, OMF, in partnership with the MVP Sports Foundation, also donated 500 soccer balls to PMC's "Football for Peace" in July 2012.

As part of its advocacy on youth development, OMF promotes sports and sees it as a highly effective tool in developing skills, talent, and opportunities for disadvantaged children.

"We are very happy to work with partners like PMC and LMSFC who put to action their advocacies," said Jeffrey Tarayao, OMF president and Chief Corporate Social Responsibility Officer of Meralco.

"We in One Meralco believe that today's youth are energized to take part in our country's future, and to know that other organizations share this belief motivates us to create and implement more youth-centered initiatives," he said.

CEMENTING OUR BONDS

Uprated Malaya substation further strengthens distribution system.

Every great structure begins with a foundation. Every foundation is made with cement. And every bag of cement is made with...electricity.

This past month, two cement giants - Solid Cement Corp. and Republic Cement Corp. - get a more solid boost to their production, thanks to the recent uprating of Malaya substation's 25MVA Bank No. 1.

Located in Pililla, Rizal, Malaya substation's 57-year-old Westinghouse transformer was replaced with a newer Hyundai 83MVA power transformer. The increased transformer capacity enabled the transfer of residential loads of New Teresa substation to Malaya substation, thus improving the quality and reliability of power supply in the area.

"This project underscores our effort to fully optimize our existing assets, which is one of the tenets of the Performance-Based Regulation," said Meralco senior vice president and Networks head Ricardo V. Buencamino. "This project has two-pronged benefits of providing more reliable power supply to the residential customers in the outskirts of our franchise while boosting the flexibility of electric service to the two major cement plants in that area," he added.

This system requirement project was tagged as a priority to provide additional capacity to Malaya substation and improve switching flexibility during outage situations of New Teresa's power transformer bank, preventing prolonged power interruption.

BACK TO ITS ROOTS

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In line with its vision of portfolio diversification, MGen is also tapping liquefied natural gas (LNG) to play a bigger role in satisfying the country's energy needs. MGen is pursuing two alternative sites for the first LNG project in the Luzon area, one in Quezon and the other in Batangas. Domingo says the company will put up a 1,500-MW +/- LNG plant, in partnership with Chubu Electric Power Co., Inc. of Japan and The Shell Companies in the Philippines. They are looking at either Atimonan, Quezon or Batangas as a possible location, with the project scheduled for completion by 2018, or earlier, in phases.

MGen has also begun operations in Mindanao, where the daily grid supply deficit of 50 MW to 130 MW has led to rotating 8- to 12-hour blackouts, costing local businesses up to P300 million a month in lost sales and revenues. MGen entered into a memorandum of understanding (MOU) with the Metrobank Group's Global Business Power Corp. to pursue and evaluate potential power generation projects in the region.

Reyes explains that the company's possible entry in Mindanao is its way of "trying to help address the requirement for adequate and reliable power in the region.

"Together with credible partners, MGen with its own expertise and resources can help provide the needs of Mindanao with very fuel efficient, new technology plants."

INTERNATIONAL EXPANSION

While local projects are being developed to help ensure a robust and commercially responsive supply of power, MGen is also pursuing power generation opportunities in overseas markets.

Combining MGen's technical expertise with First Pacific Co. Ltd.'s entrepreneurial expertise and financial resources, FPM Power Holdings was formed in 2013 and acquired a 70-percent interest in GMR Energy (Singapore) Pte Ltd. GMR Energy is nearing completion of a 2x400-MW LNG power plant in Singapore.

The facility, located on Jurong Island, is expected to start commercial operations in December 2013. It will be the first power plant in Singapore that is fully fuelled by LNG instead of piped natural gas, in response to the Singapore government's policy to diversify its energy source.

According to Domingo, the project complements MGen's existing greenfield project developments in the Philippines. "MGen's participation in the joint venture is an expression of our long-term vision to be a regional player in the power industry. We anticipate that the investment shall not only increase the income of Meralco but benefit the local economy as well. The joint venture will also provide LNG combined-cycle power plant technology transfer to our country."

GREEN MOBILITY

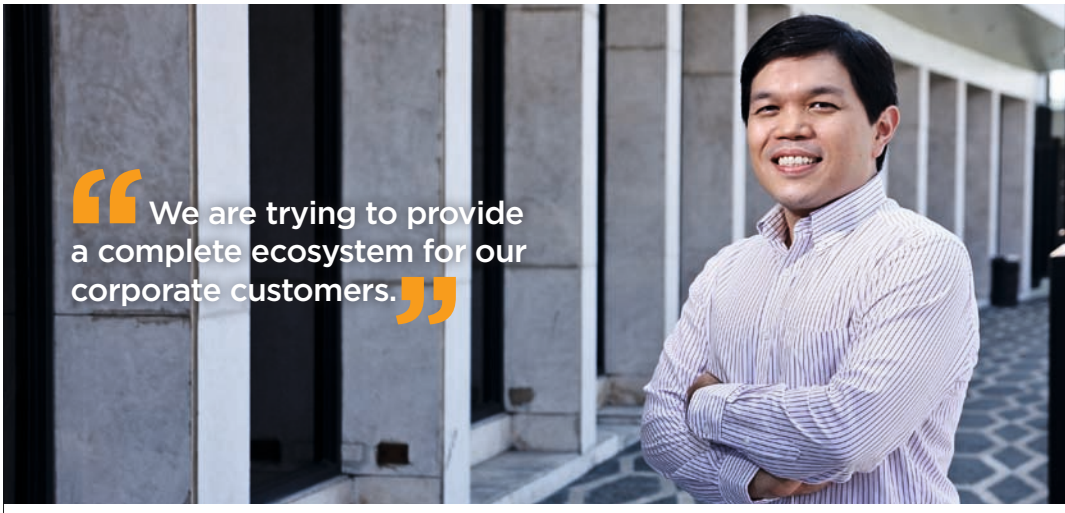
Driving electric vehicles on the road to progress.

By Alena Mae Flores

In 2011, the Philippines placed itself on the global electric vehicle (EV) map when the Department of Energy announced a 100,000 electric tricycle (e-Trike) project. Initiated in cooperation with the Asian Development Bank, the project has drawn interest from foreign EV manufacturers and suppliers.

In a similar way, other companies and organizations have expressed their interest in following suit, to push the green agenda and benefit the environment. This is one area where Tonichi Agoncillo, Meralco Customers Solutions and Innovations Manager and EV Project Lead, sees Meralco playing a critical role in the local EV industry's continued evolution.

"We understand that it's difficult for companies to go into EVs because it is quite expensive at the moment due to the infrastructure and investments required. What Meralco would like to do is to design a program for our corporate customers that can meet their green mobility requirements," said Agoncillo.



LEASING SOLUTION SAVINGS

In partnership with other EV manufacturers and stakeholders, Meralco is exploring EV leasing services through one of its subsidiaries, with whom corporate customers can then outsource their electric vehicle fleet operations and maintenance.

The EV leasing service can be closely tailored to the requirements of its customers, taking into consideration the clients' operating days and hours, routes, expected number of passengers, vehicle operations and maintenance, battery and charging station upkeep, permits and licenses, as well as driver training and safety.

The biggest benefit offered by this service is, of course, the savings. According to data gleaned from other countries, EVs are 40 to 50 percent cheaper to operate and have few maintenance requirements. By leasing their EVs, customers are not only able to save financially, they also do not need to worry about capital expenses, operating issues, manpower headaches, as well as the accounting of electric vehicle depreciation and its resale values.

In addition, the corporate customers instantly acquire a "green" social responsibility program that can generate a positive image among their clients, staff and the general public.

"We are trying to provide a complete ecosystem for our corporate customers. Together with our subsidiary and partners, we plan to introduce EV solutions which would include not only the supply and operations of the e-vehicles, but also the e-charging stations in their area of influence... in their premises," Agoncillo shared.

"It will be cheaper for the customer's to go into EV leasing in the long run."

INNOVATION AND STANDARDIZATION

Meralco, as the Philippines' biggest power distributor, and with the backing of the technical and financial expertise of the Metro Pacific Group, is properly positioned to catalyze the establishment of a robust electric vehicle industry, to benefit the country.

Meralco Chairman Manuel V. Pangilinan himself stated, during the 2012 Philippine Electric Vehicle Summit, that "the Philippines should take the lead in the region in the development of the industry."

EV leasing is one such innovation.

Meralco believes that the best way to widen the adoption of electric vehicles in the Philippines is to standardize the operating infrastructure – namely, the charging stations where the vehicles top up their batteries.

Meralco is also looking at partnering with its corporate customers in coming up with EV charging stations to serve the electric vehicles that are expected to come into the country.

Agoncillo believes that the presence of EV charging stations will be a major catalyst that will spur the development of the local industry, as it will help allay 'range anxiety' among EV buyers and drivers. The corporate customers will benefit, on the other hand, through increased traffic and utilization of their idle lots and parking spaces, most especially at night, when usage is low.

As there is still no prevailing standard globally, Meralco is pushing for the standardization of the twist-lock connectors for EV charging, to provide local electric vehicle manufacturers and importers a guide in adapting their EVs for the country.

GOVERNMENT SUPPORT NEEDED

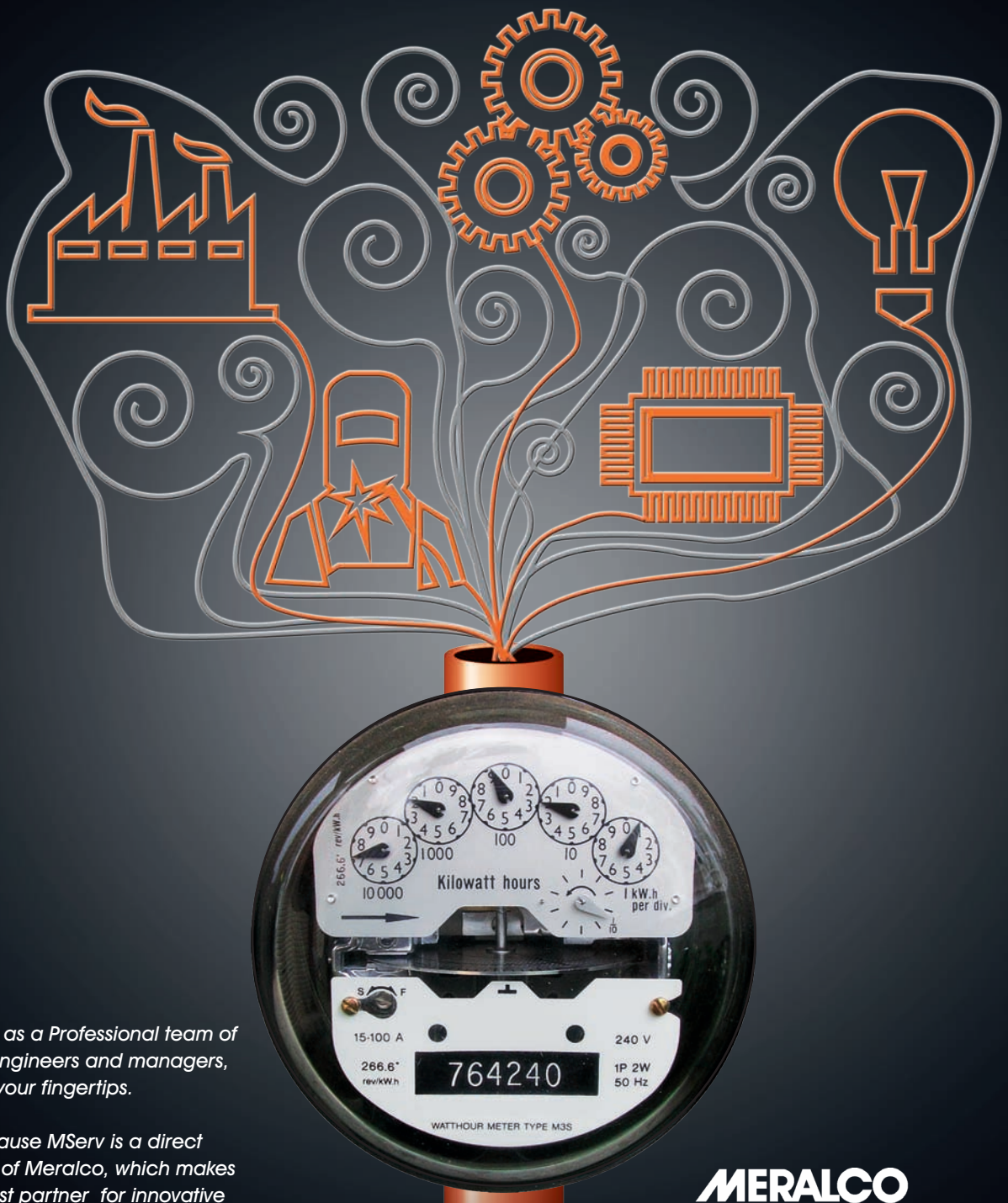
Understanding that lower EV costs will make it easier to promote EV leasing packages, as well as encourage more EV buyers, Meralco is advocating for the passage of The Alternative Fuel Incentives Act, which encourages "the manufacture, assembly, conversion and importation of electric, hybrid, and other alternative fuel vehicles." This should lower the cost of EVs by as much as 30 percent.

Other benefits to EV users include having a priority lane for the renewal of the vehicle's registration with the Land Transportation Office, exemption from the number coding scheme, and free use of parking spaces allocated specifically for electric vehicles that will be made mandatory for new buildings.

"I think we've built enough awareness and provided enough plans for the local EV industry to flourish. Now, we need to implement these programs together with other EV stakeholders and our corporate customers. People need to see, feel and experience riding in electric vehicles already," said Agoncillo.

Meralco EV photography by **Oliver Tam** Tonichi Agoncillio Photography by **Jun Pinzon** Art Direction by **Red Redrico**

SERVICES THAT GO BEYOND THE METER, FOR POWER THAT GOES THE EXTRA MILE.



Think of us as a Professional team of Meralco engineers and managers, always at your fingertips.

That's because MServ is a direct subsidiary of Meralco, which makes us your best partner for innovative energy solutions, MServ seamlessly bridges the gap between power utility and your operating needs, whatever business you're in. By managing your internal energy requirements, MServ frees you up to focus on your business, so you can do what you do best.

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