

# THE PHILIPPINES

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## A New Asian Tiger is Born

A beautiful and industrious country, the Philippines is dazzling markets with its open business climate, impressive economic performance, and huge opportunities across a range of sectors

**H**aving clawed itself back from the Asian financial crisis of 1997, the new Asian tiger is poised to drive future growth in the region. With a full set of credit upgrades awarded in 2012 by the international credit agencies, the Philippines looks set in 2013 to receive investment grade status, marking a prosperous new chapter for the country. That's not to say 2012 has been without significant achievement. The country reached No. 44 on the list of the world's largest economies, and if current trends hold, it could jump to 16th place by 2050, according to HSBC's report "The World in 2050" published this year.

During the first eight months of 2012, foreign direct investment soared 61% to reach \$1.04 billion, with manufacturing, real estate, wholesale and retail trade, finance, insurance and mining and quarrying among the benefactors, mainly from the U.S., Australia, Netherlands, the United Kingdom, Japan, and Bermuda.

A visible and highly successful anti-corruption campaign from the administration of Benigno Aquino III, which resulted in the arrest of former President Gloria Macapagal Arroyo on plunder charges in November 2011 and the impeachment of the chief of justice of the Supreme Court, Renato Corona, in late 2011, have also boosted confidence for both investors and the Filipino people.

"It is an extremely positive time for the Philippines," says Hans Sicat of the Philippine Stock Exchange. "We are talking about a boom market; you can almost feel the good atmosphere. There are important factors supporting our economy: On the macroeconomic side, the BSP (Central Bank) is doing a wonderful job in terms of managing inflation and keeping rates steady, which is helping people invest here.

"About 10 years ago, China, India, and Brazil were coming out of the blocks, and today the Philippines is doing the same. There are many opportunities for investors to come here and be successful. We do not just have the indicators of a healthy economy that are increasing consistently, but also a stable political and corporate leadership who are supporting this incredible growth. It's a new Philippines. We are moving up, and we will continue on the right track."

With almost two-thirds of the country's huge population of 103.8 million people of working age, the conditions are also in place to build a strong and sustainable economy from taxpaying workers and a buoyant middle class. The challenge now is not only to add value to the existing industries, but also to forge new ones.

What's more, the political will seems to be there, from what industry insiders are calling the Philippines' most stable government in a very long time. "The election of President Aquino was the first step in giving the Philippines more stability, and this has affected its external



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perception considerably, which is important,” says Arthur Ty, chairman of Metrobank. “We have seen many administrations where the political situation was not as stable, but the current president is popular. He has got both the House and the Senate behind him, which means a solid and united government.”

## “BPO is a perfect industry for the Philippine economy.”

*Manuel Pangilinan, Metro Pacific Investments Corp.*

Ramon del Rosario Jr. of Phinma agrees: “It is rare to have the confluence of a leader who is credible and lives what he talks, who has assembled a team that is first-rate in terms of integrity, and an anti-corruption team that is first-class. President Aquino has achieved things that in the past would have seemed impossible.”

Among the President’s team is executive secretary Paquito Ochoa Jr., a lawyer and former city administrator of Quezon City, who has been the President’s legal counsel since Aquino entered public service in 1998.

Today, Ochoa is the head and highest-ranking official of the Office of the President and a member of the cabinet. With a mandate to directly assist the President in the management of the affairs of the government, as well as to direct the operations of the executive office, the executive secretary is something like a “little president.”

Of course, with any expanding economy, keeping the momentum going is the key. As Manuel Villar of real estate giant Vista Land



President Benigno Aquino III with President Barack Obama.

acknowledges: “We have lucrative remittances coming in from Filipinos living overseas, but we must improve exports. The business process outsourcing (BPO) sector is growing very fast, and becoming an important element of the economy. The tourism sector is also growing—we are now branding the Philippines and more and more tourists are visiting.

“At the same time, consumers are spending, so I do not view it as a bubble that will burst. A middle class is taking shape and we need to continue working in this direction because there is much more to do.”

A large advertisement for the Philippines. The background is a vibrant photograph of a lagoon with turquoise water, surrounded by dark, forested limestone cliffs. A white motorboat with several people is in the lower left, and a pink kayak is in the lower right. Overlaid on the image is the text "Commuting. More fun in the Philippines" in large, white, sans-serif font. In the bottom left corner, there is small text: "The Big Lagoon, Palawan | Photo courtesy of El Nido Resorts facebook.com/itsmorefuninthephilippines www.itsmorefuninthephilippines". In the bottom right corner, there is a colorful geometric logo and the text "It's more fun in the Philippines".



**Helen Yuchengco Dee**  
Chairperson, RCBC

“BPO is a perfect industry for the Philippine economy,” says Manuel Pangilinan of Metro Pacific Investments Corp. “It provides employment at a good wage in a growing sector of the global economy while taking advantage of a significant strength that the Philippines has over neighboring economies. Nearly everyone speaks excellent American-style English, and we have shared interests, such as our love of basketball!”

The partnership with the U.S.—a country that colonized the Philippines for 50 years after the Spanish-American War in 1898—is indeed close. As Metrobank’s Arthur Ty notes, “The U.S. has always had a special place in the Philippines. The influence is arguably stronger compared to other countries in Southeast Asia, not just for historic reasons, but for economic ones as well. The U.S. is our second-largest direct-trading partner. The common language is a big advantage. It is natural for U.S. companies to be attracted to investing here, and today we see many U.S. corporations present in specific sectors, BPO being the best example.”

### Robust Banking and Finance

Competitive and well governed, the Philippines’ banking sector is bucking the global trend to report steady asset growth and strong core earnings. During the first six months of 2012, average net earnings rose by 17.1% compared to 2011, with resources, largely from loans and portfolio investments, rising by 5.6% to PHP7.41 trillion (\$0.18 trillion.) Core lending posted a double-digit growth of 15.1%, with the domestic credit to GDP ratio rising from 38.6% in 2011 to 40.6%.

The top three loan destinations outside of the financial intermediation sector were real estate, manufacturing, and the transportation related sectors. In the meantime, the liquid assets-to-deposit ratio remained strong at 54.7%.

“We spent the last 10 to 12 years fixing our balance sheet from the Asian crisis,” says Helen Yuchengco Dee from the Yuchengco Group of Companies, which owns Rizal Commercial Banking Corp. (RCBC), one of the country’s leading banks. “Bank owners have learned their lessons from borrowing beyond their means and with the wrong currencies. Our standards are much higher today. So now we have a very liquid market with banks adequately capitalized.”

Opportunities within the sector are huge. New industries, such as tourism and infrastructure will provide openings for public-private partnership programs (PPPs), and there will be around \$2.16 billion worth of contracts expected within this framework by 2013. There will also be an upsurge in the number of young professionals buying houses and cars over the coming decade.

A recent report by Crédit Lyonnais Securities Asia (CLSA)—CLSA Asia-Pacific Markets is Asia’s leading and longest-running independent brokerage and investment group—showed that this segment already makes up more than 20% of consumption outside of basic needs, including luxury items, recreation, vacations and other nonessential goods and services. And, as the banking sector continues to diversify and refocus, mergers and acquisitions will offer more possibilities.

Founded in 1962, Metropolitan Bank & Trust Co. (Metrobank) is among the foremost financial institutions in the Philippines, offering a full range of banking and other financial products and services. The bank currently spans a consolidated network of more than 1,400 ATMs nationwide; over 760 domestic branches; and 38 foreign

**To navigate the Philippine economy, you need the strongest and best banking partner in the country.**

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branches, subsidiaries, and representative offices. In 1981, Metrobank was listed in the Philippine Stock Exchange and acquired its universal banking license, gaining significant equity ownerships in local and international subsidiaries. It established its own credit card company, Unibancard Corporation (now Metrobank Card Corporation) in 1986, and in 1988, entered into a joint venture with Japan's largest automotive manufacturer and Mitsui Corp. to establish Toyota Motor Philippines Corp. A decade later, it partnered with another global giant, the AXA Group, to give birth to Philippine AXA Life Insurance Corp.

Metrobank has also been steadily expanding internationally. In the late 1990s, it opened branches and offices in London, Taichung, Tokyo, and Seoul. It was the first bank to be granted a banking license by Japan, and the first Philippine bank in Korea. In 2001, Metrobank became the first Philippine bank in China when it opened its branch in Shanghai. In 2010, Metrobank inaugurated its wholly owned subsidiary, Metropolitan Bank (China) Ltd., the first foreign bank headquarters to be established in Nanjing. The new bank serves as the base for Metrobank's operations in China, with three branches located in Nanjing and Shanghai.

For chairman Arthur Ty, the future looks extremely promising. He explains why: "After the Asian crisis in 1997, the Philippines took a while to recover, especially the banking sector. During that time there were many speculative investments in real estate, foreign exchange loans and other investments of this nature. The market reversed overnight, and many people were caught out. It took some time for the country to get over this experience, but one of the many important lessons learned was the value of prudence and conservatism. This lesson was carried into 2008. That year, the Philippines was almost untouched by the credit crunch in Western markets. We had the luxury

of being able to just sit back and watch what was happening.

"The Philippines banking system was very solid; now it's even more solid than it was four years ago, and it will probably be even more solid in 2014 because we will be one of the first countries in the world to do a full implementation of Basel 3. While we may be seeing consolidation among banks in the near future because of it, overall, the banks will be ready for the change."



Arthur Ty  
Chairman, Metrobank

## An Outstanding Reputation

One of the largest, most successful and innovative conglomerates in the Philippines, SM Investments Corp. (SMIC) boasts a diverse business portfolio and enjoys an outstanding reputation among its millions of customers.

The holding company of the SM Group, SMIC has established market-leading positions in a range of key sectors such as mall operations, retail stores, banking and financial services, property development, hotels, and conventions.

The ambitious group runs around 200 retail outlets, including department stores, hypermarkets and supermarkets. By the end of 2012, SM Prime will have 46 malls in the Philippines and five in China. The group's bank network is the largest in the Philippines. SMIC has a 41% interest in Banco de Oro Unibank, Inc. (BDO) and a 20% stake in China Banking Corp. (ChinaBank).

The main driving force behind the group's impressive track record is vice chairperson Teresita T. Sy-Coson—one of Asia's most power-

## The Remarkable Journey of the Tantocos, Founders of Luxury Retailing

Beyond the tale of humble beginnings, the story of the Tantocos reveals a singular journey deeply rooted in love and marriage. Their partnership is immortalized in the company they founded together: Rustan's, the largest chain of luxury and fashion stores in the Philippines. Benny and Gliceria Rustia got married in 1944. Benny, who lost his father at an early age, was forced to become the main breadwinner of his large family. He began as the ticket checker of the Rufino theaters and worked his way up the corporate ladder to become Rufino's No. 2. As part of the bonus for his work, Benny was given the opportunity to travel for pleasure around the world.

Donnie Tantoco, president of Rustan's Supercenters, recalls with pride how his grandfather Bienvenido and late grandmother Gliceria came to build one of the largest retailers and employers in the Philippines. "My grandfather has a very positive, resilient, and adventurous spirit. He does not let the inevitable troubles and harsh realities of the world stop him from living life to the fullest. It was a dream come true for him to bring my grandmother along on a foreign trip."

It was during their first trip together outside of the Philippines that Gliceria noticed a whole array of products ranging from beautiful dresses for special occasions to everyday items, such as pantyhose that were not yet available in the Philippines. The couple shifted their plans from visiting tourist sites to sourcing from wholesale markets. They arrived in Manila with several suitcases of product, which they offered for sale from their living room. Within a couple of weeks



Bienvenido R. Tantoco Sr.  
and Gliceria Tantoco  
Founders of the Rustan Group

everything was sold.

The business evolved at several levels. Combining the first syllables of their surnames, they christened their company Rustan's. The living room—and eventually, the entire house—became their first store; from merely trading, Rustan's started to represent international brands. Rustan's was the first licensee globally of Christian Dior, and one of the first licensees in Asia of Marks & Spencer, among others.

Today, Rustan's represents 80 leading international brands on an exclusive basis. When Gliceria passed away in 1994, Bienvenido continued to lead the development of the business. Under Bienvenido, the core luxury and fashion business has grown tremendously; Rustan's has also diversified into other formats, such as Starbucks and Shopwise hypermarkets.

The second- and third-generation Tantocos have, by and large, been successfully integrated into the business and the organization has been professionalized in many ways. Benny and Gliceria: intertwined, inseparable, formidable. Their love found full expression in the business they built together. A business, much like their partnership, that is an enduring testament to true drive, and a devotion not only to their family, but also employees and community.

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## The Yuchengco Group of Companies: Eyeing Greater Growth in its New Century

Having completed 100 years of continual growth, the Yuchengco Group of Companies (YGC), one of the Philippines' leading business conglomerates, is expecting even greater success as it moves onward into its new century.

By the three words inscribed in its Centennial motif—Enduring, Evolving, Empowering—the YGC affirms its commitment to remain attuned to the competitive shifts in its diversified markets, and to fulfill its duty to help build the Filipino nation.

Originating from the humble lumber, leaf tobacco, and wine-manufacturing enterprises started by Don Enrique T. Yuchengco in the late 1900s, the YGC moved to financial services with the founding of China Insurance and Surety Company in 1930.

After World War II, the liquidated China Insurance was revived and renamed Malayan Insurance, the cornerstone of what would eventually grow into a prominent conglomerate. The company would later become the Philippines' No. 1 non-life insurance company, a distinction it still holds.

Don Enrique's son Alfonso also established other pillars of the Yuchengco Group, namely: Grepalife, the life insurance business; Rizal Commercial Banking Corp. (RCBC) for banking; the management and holding company House of Investments (HI); and AY Foundation for social development.

More than 50 other companies have been incorporated over the years, with many leading in their respective industries, such as Mapúa Institute of Technology, the Philippines' largest engineering school, and EEI Corp., one of the biggest and most experienced players in the construction industry.

Other YGC services touch on the information technology, travel and tourism, and pharmaceutical fields.

The conglomerate is also helping to preserve existing environmental resources by investing in clean and renewable energy sources.

In its new century, the Yuchengco Group of Companies is committed to elevate even further its prominence as a business entity in the Philippines and abroad.



Amb. Alfonso T. Yuchengco  
Chairman  
Yuchengco Group of Companies



RCBC Plaza



**YUCHENGCOW GROUP OF COMPANIES**  
*The Power of Synergy*

ful businesswomen and the award-winning eldest daughter of SM Group founder, Henry Sy Senior. According to Sy-Coson, one of the key secrets to the group's success is its dedication to making every visit to its stores, malls, hotels, convention centers, and leisure facilities a "personal, unique and memorable" experience where "everyone is welcome and luxury becomes affordable."

"Most of our core businesses are in the consumer sector: retail, shopping centers, properties, banking, and hotels," Sy-Coson explained. "We can be a strategic friend here in Asia and that's what U.S. investors are looking for. This is a country which is pro-American but they have to take care of us too."

## "We can be a strategic friend here in Asia and that's what U.S. investors are looking for."

*Teresito T. Sy-Coson, Vice Chairperson, SM Investments Corporation*

In a clear sign of SMIC's successful strategic development, BDO Unibank is now the country's largest bank in terms of total resources, customer loans, total deposits, and assets under management. A full-service universal bank created through a series of mergers, BDO Unibank provides a broad range of world-class financial products and services including lending to corporate and middle-market customers, small and medium-size enterprises, and individuals.

Other services include deposit-taking, foreign exchange, brokering, trust and investments, credit cards, corporate cash management, and remittances. Through its local subsidiaries, BDO Unibank offers leasing and financing, investment banking, private banking, insurance brokerage, and stock brokerage services.

The forward-thinking company operates more than 750 branches and 1,700 ATMs and has won awards for both institutional and product excellence. An industry pioneer at the forefront of product and technological development, BDO is playing a leading role in the country's socioeconomic development and helping to attract overseas investment.

BDO Unibank president Nestor Tan said the door is ajar to foreign investors, but "they must be patient as there will be ups and downs in the Philippine economy. If they are patient and stick to their objectives, there are rich rewards here," he said. "We have raised the bar of what banking should be. BDO Unibank was also one of the drivers of banking consolidation. Consolidation in the local sense may not mean much, but as we move to regional economies, having big and strong financial institutions will actually be a plus for our country."

There is also huge potential for life insurance, as Rizalina Mantaring of Sun Life Financial confirms. "The market is under-penetrated and it is growing because we are in a demographic sweet spot. Some 64% of the population is under 30 years of age, and half the population will be of working age within the next few years," she says. "The Filipino economy is growing, so we are just at that point where you have a huge group that is starting to enjoy better incomes. All of these factors are the perfect combination for the growth of the insurance industry here."

Sun Life Financial Philippines is represented in the country by its life insurance arm, Sun Life of Canada (Philippines) Inc. (SLOCPI); its mutual fund manager, Sun Life Asset Management Company Inc. (SLAMC); and its pre-need business distributor, Sun Life Financial Plans Inc. (SLFPI). SLOCPI pioneered life insurance in the Philippines

in 1895. Today it is one of the largest and most trusted insurers in the country with almost half a million policyholders. This year, Sun Life Financial global president Dean Connor hailed the Philippine unit of the insurer giant as one of its brightest spots.

"The Philippines' insurance sector has become very competitive," Mantaring says. "Many companies have entered the market, and everybody is growing to establish market share. Market penetration is very low at only 0.8% of GDP, and if you compare that even to Thailand, where the penetration is still considered low at 2.7% of GDP, you can see the potential."

### Revamped Public Services

Dispatching items safely from A to B is the mission of Philpost, which has been delivering mail across the country for more than a century. With the most extensive domestic acceptance, distribution, and delivery network, Philpost is present in every town and city in the country.

The company, one of the oldest in the Philippines, has been the recipient of a major overhaul designed to make it leaner, more efficient, and aligned with the Aquino administration's emphasis on governance in the public sector. Behind the revamping has been Josefina Dela Cruz, former Governor of Bulacan, now postmaster general and CEO of Philpost. "Connectivity is still not 100% available in the Philippines, and traditional mail still plays an important role for communication throughout the country and worldwide," she says. "We are comfortable with technologies, but to fully exploit them will take a little while more. In the meantime, we are transforming Philpost from its traditional role in delivering traditional mail: 60% of our revenues come from commercial logistics, such as billing statements. I hope to be able to introduce a hybrid mail system next year." ●

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### Bank of the Philippine Islands: Making It Easy

The year 2012 has seen excellent financial results for the Philippines, with the country outperforming most of its Asian neighbors. Growth in the first six months rose by 6.1% and the stock market has surged by 20%.

With several sectors reporting exponential growth, austerity is the last word on anyone's lips.

This is an economy that has learned from past mistakes, an economy that is buoyed by a prudent banking system and that is determined to ensure that Filipino fortunes remain optimistic. As Aurelio R. Montinola III, president and CEO of the Bank of the Philippine Islands (BPI), explains:

"In the 1980s, we had no money and no economy, so Filipinos had to go abroad to work and this, ironically, became a large industry. This was our first step. The second step was the setting up of a world-class business process outsourcing industry. The third has been the development of tourism, with the slogan: 'It's More Fun in the Philippines.' The fourth, hopefully, will be foreign direct investments. China's labor cost advantage has significantly narrowed, Filipinos speak English fluently, and living in the Philippines is attractive, from a cultural and lifestyle point of view.

"In fiscal terms, there are several things we learned the hard way, but the lesson was essentially to lower corporate and banking leverage, and not to borrow in foreign currency.

"The relationship between the banks and the Central Bank has been cordial. I used to head the Bankers' Association, so we made a point of being well coordinated to avoid confrontation and confusion. With everyone in agreement, the relationship with both the regulator and the public was good. We do what a bank should do—take deposits, keep them safe, and lend to help the real economy grow. My aim is for banking to always remain an honorable profession in the Philippines."

A role model for the banking sector, BPI scores highest in regulatory compliance and in prudent lending.

"Our slogan 'Let's Make It Easy' shows we are customer-centric, not product-centric," Montinola says. "We want BPI to be more accessible and more convenient to more Filipinos. We have innovated with ATMs, credit cards, online and mobile banking, as well as excellent staff training that ties into an online learning program with Harvard Business School. We've managed to train more than 800 of our top people this way over the last three years.

"We are heavily involved with the WWF for climate risk assessments, IFC for sustainable energy financing, and Habitat for Humanity for housing for teachers."

Montinola was recently awarded the Management Association of the Philippines' "MAP Management Man of the Year 2012."



**Aurelio R. Montinola III**  
President and CEO, BPI

**Bank of the Philippine Islands**  
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# Tempting Opportunities Abound

The Philippines is building a strong and sustainable economy, with prime investments in tourism, casino resorts, real estate, and the ports promising distinct possibilities.

**W**ith extraordinary beaches, a tropical climate, scuba diving, thousands of beautiful islands and world-class resorts and casinos, the Philippines should already be a tourism magnet. The reality, however, is that this unique country has only just started to promote its image as a viable vacation destination, and although the message is getting out—tourism arrivals have grown by 9.18% in the last year alone—there is some catching up to do in terms of tourism infrastructure.

A catchy new promotional campaign launched by the Department of Tourism—"It's More Fun in the Philippines"—is doing a great job in showing the world what the Philippines has to offer, and there are some exciting new developments under way to attract visitors.

Tourism secretary Ramon R. Jimenez Jr. explains the steps he has taken to turn the islands' tourism fortunes around since coming into his post. "The Philippines is a latecomer in the serious business that tourism has become around the world," he says. "Tourism never really got off the ground in this country because it was always perceived as just a form of business activity, rather than a national industry. I come from a marketing background, and I noticed that we never really put

any money behind the brand. The big difference today is that this is the most tourism-oriented government in the Philippines' history. It understands that it takes marketing resources to build a brand. The Philippines wasn't popular or unpopular because people were afraid of it—the huge majority just simply didn't know about it.

"The opposite is, of course, true for our friendly competitors, Thailand, Malaysia and Singapore, which have been actively behind their image creation for a long time."

An "open skies" policy has done much to improve the country's accessibility. "For 65 years, we only had one entry point, which was Manila; now we have around 30 flights a day coming in directly from Hong Kong, Korea and Taiwan to Boracay alone. It's the same in Cebu. And it will grow exponentially. The challenge with us is to create the capacity to absorb that demand. The growth in the number of visitors resulting from an increase in awareness of the Philippines abroad is a challenge. I need a little space to allow the cement to dry on very critical infrastructure. You can't snap your fingers and have a new airport—it takes time."

Jimenez understands that although complicated and expensive from a logistical point of view, the Philippines' unique geography can



## Scaling New Heights

**SM Investments Corporation**, over the last 50 years, has set the standards for growth, leadership and innovation in Philippine business. It has created a world all its own, one that breathes life and growth into empty spaces and builds thriving communities upon them. SM has found its momentum and strength in its five core businesses: retail, mall operations, banking, property development, and hotels and conventions. Now, SM is at the right place at the right time to seize greater opportunities, deploy more resources and to emerge as a global force. The plans are laid out and SM can't wait to introduce its brand of products and services to millions more.

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be an advantage. "There is a reason why we have 7,107 islands," he says. "If you don't like this island, then you can swim to the next one! And if it's raining on that one, there are 76 other places where it isn't!"

The country is also marketing itself as a casino hotspot that will soon be joining the established resorts of Las Vegas and Macau as a fun palace for serious players. One of the most prominent names in the gaming and leisure sector is the Leisure and Resorts World Corp. Headed by president Albee Benitez, the company pioneered commercial bingo in the country, and it has grown majestically from there.

"LRWC is a listed company," Benitez says. "Together with SM Corp., we went for a license and now we're one of the four licensees of Philippine Amusement and Gaming Corp. (Pagcor) and Entertainment City. So we've diversified into bigger operations, as well as online casinos."

In 2005, LRWC acquired First Cagayan Leisure and Resort Corp. (FCLRC) to develop, operate, and conduct Internet and gaming enterprises and facilities in the Cagayan Special Economic Zone Freeport. Today LRWC is a recognized leader in providing leisure and gaming options throughout the Philippines.

"The uniqueness of LRWC is that we have integrated casinos with resorts in different parts of the country," Benitez says.

The company plans to invest as much as P3 billion (\$73 million) in a \$1 billion casino venture with Sy-led upscale leisure developer Belle Corp. and the Macau casino firm Melco Crown Entertainment.

Playing a significant role in the Philippines' growth, Pagcor regulates the gaming industry in the country while raising revenues for socio-civic and national development programs. Wholly owned by the government, Pagcor posted a phenomenal \$0.76 billion gross income from January to September this year. This is a hefty income growth

of \$0.15 billion over the \$0.65 billion earnings of the agency for the same period in 2011.

This stunning performance is attributable to Pagcor's new management, which has been in office since July 2010. Between then and September of this year, Pagcor has already posted record-breaking monthly revenues 12 times. Under its new management, Pagcor posted a total income of \$2.04 billion from July 2010 to September 2012, of which half has been given to the Treasury for national projects.

"Our efforts to provide patrons with better gaming and entertainment offerings and modernization of our gaming facilities and equipment are translating to higher revenues," says Pagcor chairman and CEO Cristino Naguiat Jr. "We also exercise prudent fiscal management in all aspects of our operations and will continue to observe transparency and integrity in the way we conduct our operations."

Pagcor operates 13 casinos in major cities across the Philippines' three major islands, but is now gearing up for its largest win to date: as regulator of four mega-integrated resorts that will rise in the billion-dollar Entertainment City project.

Touted as the next biggest attraction in Asia, this fully integrated complex in beautiful Manila Bay will feature dazzling gaming and entertainment venues, as well as luxury hotels, shopping, and restaurants. It will go a long way to redefining the Philippines as a world-class tourism destination and duplicate the success of Macau and Singapore.

As Naguiat says, "Each of the four proponents has committed a minimum investment of \$1 billion, and we are estimating that each resort will have the capacity to accommodate a million tourists. The country's tourism officials are hoping to attract 10 million tourists by 2016 and Entertainment City will provide close to 10% of that."

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Among the preparatory works being undertaken is the construction of a skyway that will link the state-of-the-art complex to Manila’s international airport. The project is being funded by the four proponents of Entertainment City. “With renewed investor confidence, Pagcor hopes to help the government attract more foreign direct investment (FDI) in the amusement, gaming and tourism industries through Entertainment City,” Naguiat says. “Through this project, we are also optimistic that Pagcor will be able to raise more funds for our government and contribute more to nation-building by engaging in high-impact education and grassroots sports initiatives.”

### Building Up the Economy

The real estate sector is, in the meantime, enjoying an unprecedented boom. Thanks to the growing value of remittances from the 11 million or so people working abroad, large BPO investments, and a burgeoning consumer class, demand for housing in all price segments is rising not only in the established cities of Manila and Cebu but also in the provinces. The rise in tourism will contribute to the increased earnings of real estate companies, as well as to the growing numbers of PPPs being cemented in the infrastructure sector.

**“I believe the Philippines will continue to grow even stronger.”**

*Manuel Villar, Founder, Vista Land and Landscapes*

Vista Land & Landscapes Inc. is the Philippine’s largest homebuilder. Incorporated in 2007 and listed on the Philippine Stock Exchange the same year, the company is the market leader by far in terms of total number of houses built, having constructed more than 200,000 homes in 28 provinces and 60 cities and municipalities in Luzon, Visayas, and Mindanao.

The company ranks among the top listed property firms in the country in terms of total assets, earnings and market capitalization. With well-known and distinct brands, Vista Land caters to all income segments in the different provinces of the country, with prices ranging from \$17,800 up to \$1,100,000.

Vista Land has demonstrated its continued confidence in the Filipino market through its plans for further expansion into new areas in the country. With the widest geographic reach among all property developers in the Philippines, the company continues to consolidate its brands. “I am very confident about the Philippine economy,” says Manuel Villar, founder of Vista Land. “All the economic indicators are good, so I believe the Philippines will continue to grow even stronger than it has in recent years.

“Vista Land is a construction giant, not just in term of resources, but in term of opportunities. In recent years we have been active in the condominium market. We have done a great job in Metro Manila, but now we are building in the countryside. There are challenges to building in rural areas. There are logistical issues with the shortage of contractors and suppliers, and you have to deal with different local governments and provincial officials, but we are working hard and succeeding. We also have plans to build 50 small malls, or what I call “smalls,” in five years in rural areas, to serve local populations. Through those new projects, we are present in the construction, leasing, and retailing sectors, and helping Filipinos achieve their dreams.”

### Redefining Work

The Net Group (TNG) has carved its own niche in the commercial market of Bonifacio Global City (BGC) by making tech-savvy buildings with a boutique-like atmosphere. These unique boutique I.T. office spaces serve as corporate global headquarters or worldwide support services for Fortune 500 companies, and that makes them a highly viable choice for the international community. The entire portfolio takes up more than 50% of prime lots in the PEZA IT Zone—an initiative that gives certain foreign companies attractive tax incentives.

As the pioneer developer in BGC, the company adheres to a simple formula for success: namely, to provide a product that is on par with international standards coupled with personalized service.

“We are advocating a philosophy,” says TNG’s founder and chairman, Jacques Dupasquier. “We want to offer people who work here an environment that is both professional and makes them happy to be at work. We deliver prime real estate with a lot of value added. The TNG brand was created with the concept that the developer becomes more than just a landlord by providing hospitality-oriented services to the tenants.”

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With TNG's current portfolio of six boutique IT office buildings totaling over 2.1 million square feet, 100% leased, the idea has proven to be a success. "Happiness at work increases productivity and fosters loyalty. People tend to stay longer when they are satisfied," Dupasquier explains. One of the company's strengths is to anticipate what the market needs, and to work with the client to provide for their wants. "Long before 'boutique' became a trend, we were already delivering boutique office space. We do not just deliver on international expectations, because technologically we are as good as it gets, and we do it all with Asian hospitality," Dupasquier says.

Net Lima, TNG's latest green building, was designed by award-winning Miami-based green architect Chad Oppenheim, and is the pilot project for the Philippine Green Building Council's rating system BERDE. This reinforces the company's commitment to the environment. Due to popular demand, the tower is fully leased; any prospective tenant who wants a space will now have to wait until 2015, when TNG's next tower, Net Park, is completed. TNG's standing in the real estate game has always been about the tenant, and the company's success is a testament to its reputation.

The government has put infrastructure development at the heart of its growth agenda, and the private sector is seizing the opportunities, many of which are coming in the form of lucrative PPPs. Globalport 900, Inc. is a Philippines-based holding company that primarily invests in companies engaged in the ports industry.

In 2011, the company was 98.84%-owned by Sultan 900. In April this year, it acquired 100% of Platinum Dredging Inc., a domestic corporation in the construction business related to ports, as well as 96.32% of Harbour Centre Port Holdings Inc., a domestic holding company that owns 68.112% of Harbour Centre Port Terminal, Inc.

## "My grand vision is to create a Philippine seaport highway."

*Michael L. Romero, Chairman, Globalport 900 Inc.*

Globalport operates in the 25-acre multipurpose port terminal inside the port-city complex called the Manila Harbor Center; it is strategically located within the heart of Manila's port district. The port sector is a principal focus of an economy characterized by maritime trade and commerce. Almost 98% of raw materials and products imported and exported by the country are brokered through maritime exchanges. Globalport is engaged in the provision of advanced port-facility equipment, managed by seasoned professionals with proven expertise in port management to ensure the best utilization of resources and deliver efficiency to its clientele.

"My grand vision is to create a Philippine seaport highway, which will link my network of ports across the 7,107 islands of the country," says Michael L. Romero, chairman of Globalport 900 Inc. "This means domestic and foreign trade could move freely and easily around the country without any logistical hassles, bringing the costs of goods and services lower than what they are today. Right now, I operate two of the biggest ports in Manila (Manila North Harbor and Harbour Centre) and the Port of Zamboanga in the southern Mindanao hub. Once I put more ports within the Visayas and Mindanao areas, I can link the whole country with a more professional and reliable network of logistics, shipping, and port-related activities. At the end of my business practice, there will be a solid network of products moving within the country and in and out of any ports that I operate." ●



Perspective of Sulô Riviera Tagaytay, Cuevas' latest project.

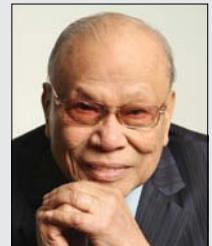
## The Cuevas Group—Ambassador Is an Inspiration to Local Entrepreneurs

A Filipino conglomerate with interests in construction, real estate, and hospitality and services, Cuevas Group of Companies founder Ambassador Felimon Cuevas has shown that hard work pays off. Born in a poor village in the Cavite province, the ambassador had to abandon his studies at a young age to take care of his family.

"In the early days, I worked from morning until midnight," he says. "From a small store, the big turnaround came when my brother put me in charge of his gas station. I did everything, from managing it to manning the pumps. I was in my early 20s then, and I succeeded in making it profitable. I eventually set up my own station and served the Clark Air Base during the Vietnam war. Gasoline gave me my first break, and I just went from there." Today the ambassador serves as an inspiration to would-be Filipino entrepreneurs. As the name behind the Sulô Riviera—one of the capital's most impressive hotels—and a host of other new developments, Cuevas is determined to stay ahead of the game in what is rapidly becoming one of the most sought-after investment destinations in the world. Having recently completed the renovation of the impressive Quezon City landmark, Cuevas is now looking at ways to expand on Sulô Riviera's deluxe rooms and suites, as well as to launch a residential project in a prime part of Manila. Cuevas outlines his go-getting philosophy.

"I have experienced so much and been involved with different kinds of businesses, and I consider myself an opportunity-grabber," he says. "For that reason, the company plans to concentrate on real estate for now. Our latest move is to parlay the Sulô brand within a stylish, 12-story condo-hotel concept in Tagaytay City, the construction of which is set to finish by December 2013. The Sulô Residences, a 30-story residential project in Manila, is also in the pipeline. Our affordable prices will, we hope, prove tempting to the Filipino diaspora keen to invest back in their home country."

With the day-to-day management of the group passed to younger members of the family, the humble octogenarian now helps others set up small businesses. "Family businesses and SMEs are, after all, the driving force of our economy," he says.



Ambassador Felimon Cuevas  
Founder of the Cuevas Group  
of Companies



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[www.sulorivierahotel.com](http://www.sulorivierahotel.com)

## Shell in the Philippines—Powering the Nation’s Progress

For nearly 100 years, Shell has helped the Philippines embrace the future of energy through its numerous investments in the exploration of natural gas, an oil refinery, and the distribution of smarter petroleum products. It has brought in a diversified energy portfolio and significant market contributions that have helped buoy the overall economic growth of the country.

Leading the 4,000-strong energy company is Shell companies in the Philippines (SciP) country chairman Edgar Chua, who stresses that Shell’s investments in the country will continue, given the good business environment.

“We continue to express great optimism and confidence in the reform program of the Philippine government,” says Chua. “The business climate has been improving, and good governance is generally practiced. What we really like is that the government understands the concerns of the energy sector.”

In the Philippines, Shell operates the Malampaya Deep Water Gas-to-Power Project in offshore Palawan. It supplies around 30% of the country’s power-generation requirements through cleaner-burning natural gas. As well as helping reduce the country’s dependence on oil imports, Malampaya has also generated



**Edgar Chua**  
Country Chairman, Shell  
Companies in the Philippines



**Signing of a Memorandum of Understanding between Dept. of Energy and Shell**

more than \$5 billion in revenues since 2001, and provided the country with a steady revenue stream and considerable foreign-exchange savings for the government.

“We firmly support the government’s thrust in finding innovative solutions, such as the implementation of the Malampaya Phase 2 and 3 projects to sustain the level of Malampaya’s gas production,” Chua says. “We welcome the excellent policies and actions that the Department of Energy has come up with to encourage oil and gas exploration as we continue to look for opportunities to diversify the energy mix in the country, and deliver smarter products and cleaner energy.”

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# Energy Companies Light the Way

It is a dazzling time to be in the power industry in the Philippines. With strong incentives and an open business environment, international investors are arriving in ever-greater numbers.

**W**ith indigenous resources that include gas, coal, and oil, as well as a huge potential for renewable energy in the form of ocean, geothermal, and wind power, the Philippines is the go-to country for energy companies looking for strong returns on their investments.

In a trend that industry expert Richard Tantoco of the Energy Development Corp. (EDC) has likened to the California Gold Rush of 160 years ago, international mining, oil, and gas companies are arriving in droves to take advantage of an open and egalitarian environment, joining the more established companies. With demand for energy slated to rise by 3.4% this year, the need for more affordable, indigenous fuel is paramount for the country's future development.

Part of the reason the Philippines is attractive to foreign energy companies like Shell, which has been in the country for almost a century; Chevron, which is developing geothermal facilities and gas exploration; and AES which is currently generating between 1,200 and 1,500 megawatts of power, is because it has had a fully deregulated market since 1998, with no governmental influence on prices and no subsidies. The current administration has established a longer-term energy plan of 25 years to ensure sustainable solutions are adopted.

"We have a wonderful and competitive platform for oil and gas, and incentives in renewable energy for those that are interested. And they can be 100% foreign-owned," says former Energy Secretary Jose Rene Almendras, who was promoted to cabinet secretary responsible for implementing President Aquino's 16-point agenda and the Philippine Development Plan (PDP) in November 2012.

"In 2011, we announced that we were going to provide a level playing field, where international companies could compete without fear of special favors or preferences. We had over a hundred compa-

nies from all over the world making investments—and we are delighted they are coming back."

Local companies have also found deregulation reassuring. As Richard Tantoco, president and COO of the EDC, explains: "We have a very transparent regulatory process in the Philippines. What we have seen is the rise of local companies. They are able to raise capital and undertake huge projects primarily because the financial institutions see that there is a regulatory agency that approves tariffs and agreements, and projects do move forward."

**"The Philippines has a very transparent regulatory process."**

*Richard Tantoco, President and COO of Energy Development Corporation*

Since being privatized in December 2007, EDC has been 100% successful in its efforts to acquire government assets at attractive valuations and vertically integrating its operations.

"Our business sits at the happy intersection where doing what is right for our planet is identical to doing what is right for our business. Our geothermal operations have substantially reduced the country's dependence on imported oil," Tantoco explains. "When you look at our Asian neighbors, they are able to provide power at cheaper prices because they have incredible amounts of indigenous energy. They have huge coalmines, gas fields, and oilfields. They sell locally at a fraction of the price they export. We do not have that luxury in the Philippines. Our topography is volcanic, which means we have less hydrocarbon sources of energy."





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One of the companies to rise up in recent years is Phoenix Petroleum Philippines Inc. (PNX), now the leading independent, and fastest-growing, oil company in the Philippines. Since its first station was erected in 2005 in the southern region of Davao, it has expanded northward to build a network of retail stations and commercial and industrial clients nationwide.

## “This growth is built on real structural and economic reforms.”

*Dennis Uy, President and CEO, Phoenix Petroleum Philippines Inc.*

The company’s operations are divided between terminal and haulage services and trading. Under trading, PNX offers its refined petroleum products and lubricants to retailers and industrial customers.

“Before 1998, the oil distribution industry was regulated, and there were only three players,” says president and CEO Dennis Uy. “Although I was not involved in that industry, I saw an opportunity to create a niche for my company. Slowly, and driven by our passion to succeed, we grew and in 2007 launched an IPO, which allowed us to expand and have fresh capital. Investors believed in our business model. Many factors have influenced our growth, like an increase in the number of cars on the roads, but in the end, our success has come about because we moved into a deregulated industry.

“The growth in the country is built on real structural and economic reforms, as well as the personal successes of millions and millions of Filipino employees.

“At Phoenix, we found a combination of speed, creativity and knowledge, as well as financial, technical, and marketing competence that will form the basis of the future of the downstream petroleum industry here. There are challenges, but we are ready to face them. In the next five years I would like to expand our market and consolidate and extend our model of entrepreneurial sustainability. That will allow us to challenge some of the multinational corporations for market leadership here. We’ve planned to grow organically, but if there are opportunities to acquire or do mergers, we will consider them.”

As a successful leader, Uy believes in discipline, determination, and perseverance. “We work very hard at knowledge and personal competence development, as well as creating a culture of personal and institutional integrity,” he says. “We recently adopted a new corporate vision statement that sums up the character and behavior and will ensure our future success: “To be an indispensable partner in the journey of everyone whose lives we touch.”

### Responsible Mining

Although mining currently only contributes around 1.5% to the total GDP of the country, the possibilities are enormous in this sector. Among Southeast Asian countries, the Philippines’ 7,107 islands have the greatest number of proven deposits of metallic and non-metallic minerals. There are therefore plenty of opportunities for the exploration of gold, copper, silver, nickel, and other metals.

Existing mining laws, which allow co-production, joint venture, mineral production sharing agreement (MPSA), and financial and technical assistance agreements (FTAA) for large-scale mining projects, are attractive to investors. The current policy of revitalizing the mining industry has resulted in renewed interest in the industry, and there are

## Leading Geothermal Producer Turns up the Heat to Expand Abroad

Having grown more than 77% in the last three years, Energy Development Corp. (EDC), the largest vertically integrated geothermal company in the world, is just starting to ramp up.

A pioneer in its field, EDC has more than three decades of hands-on experience for the entire geothermal energy development process that will give it precedence as it vies for markets overseas that favor clean and green energy.

As EDC president and COO Richard Tantoco explains, “We are expanding internationally. We generate a cash flow of around \$400 million to \$500 million a year and will use this war chest to fuel our growth. We are looking for partners to grow with—like-minded institutions that are eager to bring reliable and clean base-load electricity to the world.”

EDC has already planted the seeds for its future growth as it ventures into Chile, Peru, and Indonesia for the acquisition of a portfolio of prime geothermal concessions. EDC is also open to partnership opportunities with entities that may already possess promising concessions in attractive markets but that lack either financial capital or technical expertise, or both.

According to Tantoco, out of the many countries with geothermal resources, approximately 20 have the high-temperature geothermal resources EDC is looking for. “For now, we are focusing on Chile, Peru, and Indonesia. We like their economic stability and legal frameworks,” he says.



**Richard Tantoco**  
President and COO, EDC

On the home front, EDC’s 36-year head start in geothermal development has clearly given it the advantage over other Philippine conglomerates that have just joined the renewable-energy bandwagon.

“When the renewable energy law came into effect in 2009, there were a lot of developers thinking they could do a project, but then realizing it wasn’t that easy given the high front-end risks,” Tantoco says. “We had many of them approach us to take over their transactions. In our case, de-risking geothermal projects is something our organization and people have done and are comfortable doing.”

Domestically, EDC is poised to grow even bigger, with at least 230 megawatts of expansion opportunities from within the geothermal steam fields where it currently operates. EDC also has eight promising green-field concessions at the exploration stage.

“There is a lot of potential and there will, of course, be challenges along the way,” Tantoco says. “The progress at which the projects will be moving will be asymmetrical, with some moving faster than the others. We are simultaneously developing multiple projects—and our roster of projects is very attractive.”



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huge incentives for investors, as well as a large pool of Filipino professional geologists and mining engineers who have extensive experience in mineral exploration and mining operations.

With investments in the mining sector set to reach \$17.4 billion by 2016, and the government stepping up its efforts to streamline the permit process, the Department of Environment and Natural Resources (DENR) will be ensuring investors comply with the regulations.

“Our mining potential has always been high, but we want to do it properly,” says Ramon Paje, Secretary of the Department of Environment and Natural Resources. “The balance between investment and the environment is so critical to us that even as we go for a \$17 billion or even \$20 billion target, we will make sure the companies are clean. Our water levels, biodiversity and marine life are crucial to tourism, so they will be highly protected.”

DENR is currently directing companies to develop downstream industries within a time frame of five years, after which time it will halt the export of raw ore and encourage ore processing.

Some companies are already installing processing plants, Paje says. “The only obstacle they face now is the cost of power here, and we are addressing that. Most firms set up their own power plants, as it is cheaper for them. Mining is the only industry where we allow 100% foreign ownership, and that is the beauty for foreign investors.”

Mining has never been as challenging as it is today. It is truly defining its direction toward sustainable development, thereby increasing its contribution to nation-building and poverty alleviation, especially with the issuance of Executive Order No. 79, a hallmark of sustainable development policy that institutionalizes reforms in the mining sector.

DENR’s mission also includes poverty reduction. As Paje explains, natural resources are degraded and depleted by the use of crude



Growth momentum is picking up and now is the time to seize opportunities in the Philippines. With the country rapidly growing to become one of the economies to watch in Asia, Metro Pacific Investments Corporation (MPIC) is continuously expanding and maximizing its potential through a stellar portfolio of infrastructure assets. We invest, manage and transform our companies to be world-class and dominant in each of their fields. We do so because we see a positive outlook for long-term investment opportunities. We believe in the Philippines and we want you to join us as we help spur national progress and pave the way for great changes.

### Championing a Grassroots Approach to Growth

They say that with every crisis comes opportunity, and there can be no better example of that in the Philippines than Phinma Corp. Having been an avid purveyor of heavy industry from its foundation until the late 1990s, the company found itself struggling in the Asian financial crisis of 1997. Fortunately, foreign investors were taking an active interest at that time, and the firm’s cement business was sold to Swiss building materials giant Holcim.

As Ramon R. del Rosario Jr., Phinma’s president and CEO explains, a new strategy had to be devised, and what evolved was a vision to better the lives of the population at large. “We decided to put our resources into the development of the Filipino people,” del Rosario says. “We own three universities and a college, which have a total of 26,000 students and offer inexpensive, high-quality courses that lead to jobs like accounting, engineering, and IT. We build affordable condos and no-frills hotels. Ours is the classic ‘bottom of the pyramid’ approach.”

With former Minister of Energy Francisco Viray now on board, power—including renewable energy—is fast becoming Phinma’s main industry. It is also investing heavily in business-processing outsourcing. “It’s time for investors to take a good look at the Philippines again,” del Rosario says.

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Philippine Stock Exchange: l-r: Nestor Tan, Teresita Sy-Coson & Hans Sicat (far right).

technology and over-exploitation by the poorer people, so a mammoth project—the National Greening Program (NGP)—has been launched in an effort to manage the resources better.

“We have 20 million people living in the upland areas exploiting our natural resources,” he says. “Every time a child gets sick, they see the standing timber as medicine. Every time their family is hungry, they see it as food. People will do what they need to do. Under the NGP, however, we are trying to take their attention out of the forest. We are giving them coffee and cocoa seedlings to plant, so that within

three years they will have a different livelihood. We will still reforest, but we will give these people plantation areas as well.”

As far as investors go, Paje is convinced the climate has never been better. “The beauty of the Philippines right now is the predictability of the process. We have a very level playing field and have eliminated all transaction costs,” he says.

The Rapu-Rapu Polymetallic Project (RRPP) was the first mine set up after the Philippine Mining Act of 1995 took effect. Producing copper and zinc concentrates, with gold and silver byproducts, the mine is situated at the southeastern tip of the island of Rapu-Rapu, about 28 miles from Legazpi City, Albay province. RRPP is the largest private enterprise in Albay, with investments of more than \$100 million. Together with its contractors, the mine employs over 1,500 people.

“Mining in the Philippines has had a lot of bad press in the past, and has brought more destruction than development, hence the anti-mining sentiment among the people,” says Rogelio E. Corpus, the dynamic president of RRPP. “However, I am seeing a wave of change in the way mining is done in this country. Most companies are now both environment- and people-conscious. This is the only way we can change the perception of local populations.

“We are in a position where we can provide jobs and community development, like improvements to infrastructure, education, and so on. I believe that mining can contribute greatly to the Philippine economy, because it contributes to countryside development. However, it is imperative that mining be done responsibly.

“One has to invest huge amounts of money to find a mineral reserve. It could take 1,000 exploration activities to find a commercially viable ore reserve that can be developed into a mine. It is high risk, but can offer great rewards. Now the better returns realized from mining

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are attracting more Filipino investors to invest in the mining business. The major impact that the Rapu-Rapu Polymetallic Project has had on our host communities is the taxes we pay and the employment we generate. Some 55% of our employees are from Rapu-Rapu island and 78% are from the Bicol area. Only 22% of our employees are from outside of the region."

RRPP puts into operation a Social Development and Management Program (SDMP) financed with 1.5% of the company's annual operating cost. This year, the share of its SDMP is \$1.3 million for projects and programs that will establish or assist in the development of host communities.

## "I am seeing a wave of change in the way mining is done in this country."

Rogelio E. Corpus, President of Rapu-Rapu Polymetallic Project

"We build schools, we construct and rehabilitate water systems, support electrification, initiate skills training for locals, and put more than 400 students from our six impact villages through secondary school and college. RRPP is firm in executing its Final Mine Rehabilitation and Decommissioning Plan (FMRDP). In fact, prior to our FMRDP's approval, we had established a trust fund and deposited \$3.8 million to finance rehabilitation after we stop operations."

The Mines and Geosciences Bureau (MGB) regional director for Bicol, Theodore Rommel Pestaño, has recognized RRPP's achievement of 10 million man-hours without lost time from accidents. "These two

achievements reassert the significance of RRPP's commitment to best practices in mining as vanguards of responsible mining."

Jose Leviste Jr., chairman of Oceana Gold, a New Zealand company says: "Mining can be green in the Philippines." The company, whose Didipio project in the Philippines has just started commissioning, was the first in the region to be granted an Environmental Compliance Certificate. "We want to be the first greenfield mining company in the country," he says.

## Healthy Returns

In the meantime, the demands of a growing middle class has led to a boom in private health care. With many doctors and nurses trained abroad, the level of expertise and of English-language communication skills is high, and there has been a surge in the number of diaspora returning to take up posts at home.

Rosalie R. Montenegro, president and CEO of the Makati Medical Center, is optimistic. "The Filipino doctors coming back home is great news. My strategy here has been to combine contemporary facilities with first-class treatment, focusing on key areas in which we are very strong, such as cardiology, neurology and so forth, instead of cosmetic surgery, for instance, in which the Thais are very good. The health care industry in the Philippines is behind in technology generally, but here we do have really advanced medical equipment.

"We have improved the IT aspect, and with it, the systems for billing, collections, and administration. We just bought a hospital information system, and today identify patients with a unique number, so when they come in at any point, we know where they are with their treatment and which doctor has been taking care of them. I come from the banking sector, so I know how to deliver services.

"I also introduced the concept of product profitability, so if a medi-

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cal unit wants to buy new equipment, it has to show me that it can make money out of it. We're importing the banking discipline into the health care sector and using our resources in a smarter way."

The state-of-the-art Makati Medical Center now operates complex stem-cell transplants, demonstrating that research and development remains a priority. It is also a teaching hospital, with students frequently undertaking exchange programs with those in the United States.

## "The Philippines is very competitive in terms of price and service."

*Dr. Edgardo Cortez, President and CEO, St Luke's Medical Center*

"I am interested in attracting partnerships with U.S. insurance companies; we are Joint Commission International (JCI)-certified, so our health care treatment is within American regulations. They can save money sending us some of their cases. If I can get the 10% of the U.S. population with serious medical conditions to come here, it means 25,000 more patients, and that's a big number!"

St Luke's Medical Center was the first hospital in the Philippines and the second in Asia to be accredited by the JCI. For Dr. Edgardo Cortez, president and CEO of St Luke's, this has improved the quality of care in terms of technology, and, more specifically, patient safety.

"In the U.S., an estimated 98,000 lives are lost every year from medical errors," he says. "At St. Luke's we are very focused on patient safety, to the point that we have sent 10 clinical and administrative executives to Harvard to learn about it. We were the first to do this and have even developed a patient safety officer course.

"We have also seen an increase in doctors being sent and trained abroad, not just to learn improvements in technology but also to get experience. I don't think this has been done by other private hospitals. The quality of the education in our medical school has improved dramatically. We founded our school more than 10 years ago, and 70% of the students are funded by us.

"We want the Medical School to be the farm from which we get the good doctors for St. Luke's. Research in general is also picking up in the country, and we have seen some private hospitals going into research outside from the university hospital.

"I would say that the health care industry is picking up, following the Philippines' economic improvements, but if you look at the per-capita expenditure of government for health care it is still way too low."

Cortez sees a strong case for the country's future health tourism however. "Medical tourists come for the quality of care, but also for service and the amenities as they are looking to enjoy their stay as much as possible. I think that the Philippines is very competitive in terms of price and services," he says.

## The Tiger Comes of Age

While competition in Asia is rising, there is no doubt that the Philippines has gained its place in the world economy. In 2012, the country was the only one in the world to see its economic growth forecast upgraded by the International Monetary Fund.

As recession continues to loom in Western markets, U.S. investors might well take a good look at this determined Southeast Asian nation. As most analysts and local investors attest, this is a virtuous economic cycle that's here to last. ●

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