

Philippines

The *heart* of Asia

“China may have the brawn of Asia and India the brains, but the Philippines is the heart of it.”

– Jaime I. Ayala,
President of Ayala Land



A MESSAGE FROM PRESIDENT GLORIA MACAPAGAL ARROYO

Greetings!

My countrymen and I proudly share with the world of business our proud vision of the new Philippines.

The sweeping reforms we assiduously implemented in recent years have set us on the path of sustained rapid growth. Our economy has risen to a new level of maturity and stability underpinned by strong fundamentals and robust confidence.

Our 7.3 % growth last year was the best for the Philippines in over 30 years. We have added about a million jobs annually for the past seven years. For three years running, nine out of every 10 business people in

the country are optimistic, among the top five in the world.

With capital, remittances and tourist dollars pouring in, our currency is at its highest in many years, and the stock market is among Asia's best performers. We aim to balance our budget this year while we continue investing in our people and infrastructure.

Philippine democracy remains vibrant, and our people have held fast to constitutional processes, even as we fortify our democratic institutions.

Enterprises are setting up from all over the globe, convinced of the excellence of the Filipino workforce, the stability of the economy and the advantages offered by a country centrally located in Asia.

As a result of our total economic overhaul, we believe we are well-positioned to weather a global downturn.

Our economic renaissance is built on a vision advanced by strong global engagement, resolute economic and governance reforms, and massive investments in people and infrastructure.

We are confident that the Philippines has reached the take-off point and we will soon leap skyward to take our place in the First World within a generation.

We invite the world to come to our country, take advantage of our burgeoning opportunities, and be part of our exciting, expansive tomorrow.

A **balanced** approach

Philippines President Gloria Macapagal Arroyo continues implementing the reforms that were mandated in 2004.

The success of the measures implemented by this government over the last four years is reflected in the health of the Philippines economy—this is the only administration in the country's history that has maintained positive growth through every quarter. GDP expanded at a rapid 7.3% annual rate in 2007. At the same time, there has been a steady increase in interest from international investors in sectors such as business process outsourcing (BPO), mining, tourism, banking and finance, real estate and construction, and infrastructure.

In 2007 foreign direct investment (FDI) inflows into the Philippines amounted to around US\$2.2 billion, compared to \$1.9 billion for 2006, and \$1.2 billion in 2005.

In January, the government announced plans to raise its

infrastructure spending for 2007-2010 by 19% to US\$49.6 billion, with transport-related projects taking the biggest share of the bill.

"We had been burdened by a huge debt and borrowing. The deficit was increasing and we knew

**MARGARITO
B. TEVES**
Secretary
of Finance

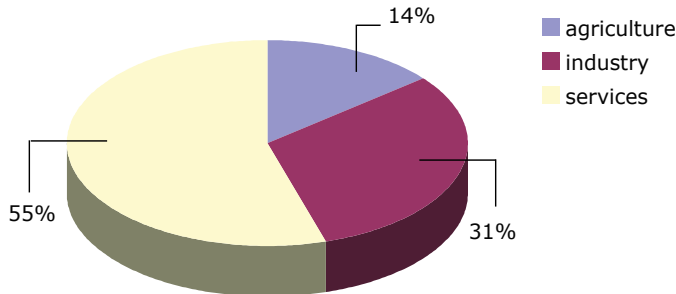


**ROLANDO G.
ANDAYA, JR**
Secretary
of Budget
and
Management



we had to

GDP—composition by sector (2007 est)



reverse that. Fortunately we were provided with tax measures by the 2004 Congress that have benefited us, particularly after we increased VAT," he says, adding: "Of course, on its own it's still not enough. Our tax contributions are still quite low compared to many of our ASEAN neighbors. They are averaging around 16.1%, while we are only at 12.5% right now."

Furthermore, after 10 years in the red, the government expects a zero budget deficit this year, with revenues fully supporting the US\$28.5 billion proposed budget in 2008.

Budget and Management Secretary Rolando G. Andaya attributes the achievement to the government's commitment to standing firm on pushing through key reforms: "This wouldn't have been possible a decade ago, but improved revenue collection and fiscal consolidation have enabled us to aim for a balanced budget, two years earlier than scheduled," he says, adding: "The spill-over from improved tax collecting will continue throughout all the areas of the country and eventually improve all the economic indicators of the country."

Mr. Andaya says the

growth in private sector investment and FDI is due in part to increased social and infrastructure spending by the Arroyo government, which, after congress approved the 2007 budget, slated 30% of revenue generated by VAT reforms to be spent on social services and much-needed improvements in transportation, energy, and irrigation infrastructure.

Rapid appreciation of the peso—thanks largely to strong economic performance and rising FDI—has brought benefits and problems. In late February the

Philippine central bank announced measures to deal with an 8.3% rise against the U.S. dollar in 2006.

While a strong peso could affect future growth if it squeezes exporters, it has also helped to keep inflation in check. The latest estimate is that inflation will be between 2.6% and 3.1% in 2008, well below the 4% to 5% estimated range.

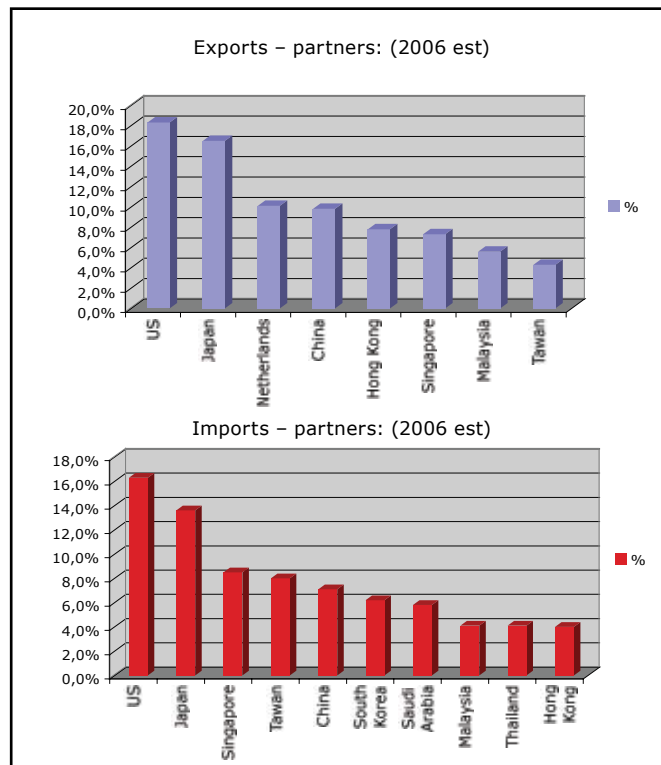
Meanwhile, domestic consumption, which accounts for 70% of GDP, has been boosted by more a than 25% average increase over the last two years of remittances from the estimated 8-million Filipinos working abroad, reaching US\$13 billion for 2007.

The impact of President Arroyo's reforms on the Philippines economy are tangible: The peso is up, the market is up, exports and imports are up, foreign direct investment are up, investors are reinvesting and inflation is steady.

Speaking in May, the President, herself an economist, said: "I firmly believed then, and I believe until now, in the power of the marketplace and open

markets to improve the Philippine economy."

Mr. Andaya says that for the remaining two years of its term of office, his department will focus on budget management. "We are lucky to have a great team of leaders now in our departments who are fiscally minded and looking at the bigger picture of the president's agenda. Part of our legacy will be to step up and say, here are the mistakes of our past; here is what we need to do to correct them. Our president is the only one who had the courage to push through the VAT increase. She lost a lot of political capital on that but she is looking long term." ●



Bank of Commerce

Fast-growing and flexible, the bank is doubling its equity base ahead of an ambitious expansion program.

Now operating under the stricter banking regulations of the Basel II accord, consolidation and tighter capital adequacy requirements are the key trends in the Philippines banking sector. As a result many of the Philippines' medium-sized banks have been beefing up their capital to be able to expand loan portfolios.

Bank of Commerce president Raul de Mesa says the bank wants to further beef up its capital base.

"We are looking at doubling our equity base, which will allow us to expand more aggressively," he says. "Our target market for expanding our asset growth is from \$1 million to \$50 million. We are



RAUL DE MESA
President Bank of Commerce

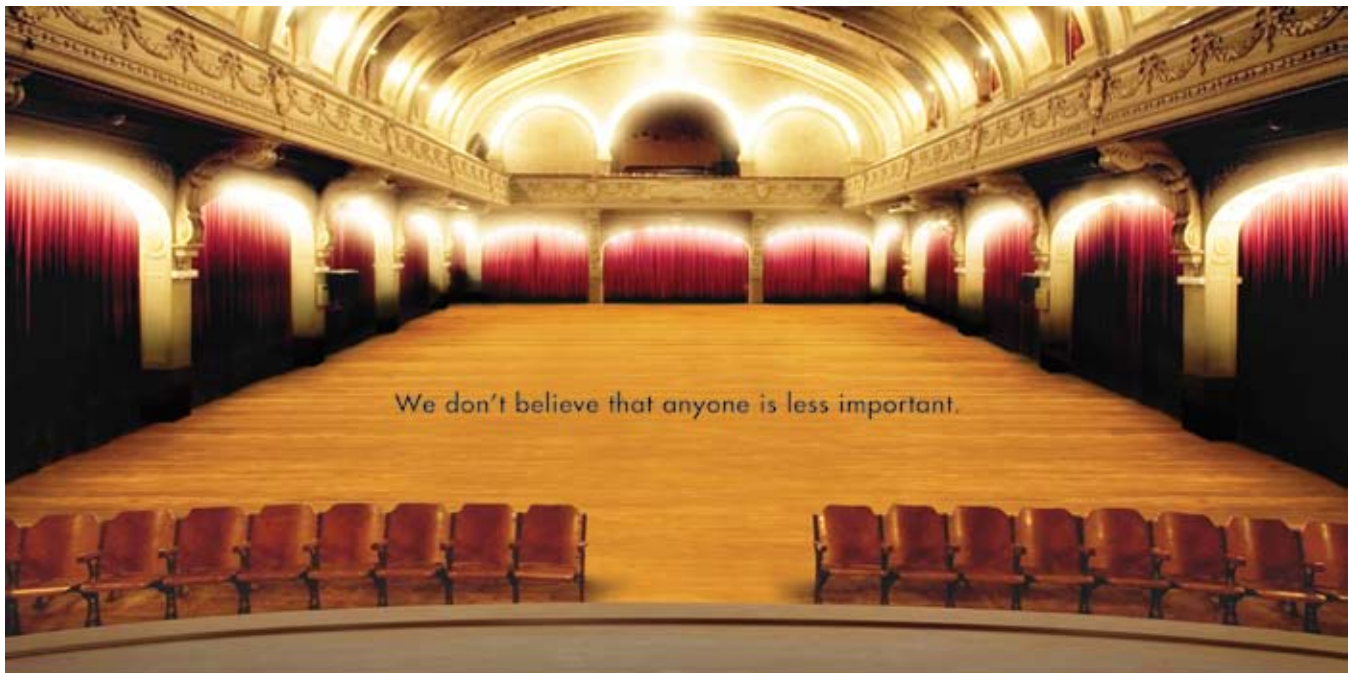
very progressive and successful in our lending growth programs."

The bank's strength has been boosted further after the retirement fund of beverage

and food giant San Miguel Corp. acquired a 34% stake in it.

Bank of Commerce recently helped the government of oil-rich Equatorial Guinea set up a \$5 million national bank, and acquired a 30% stake in the new bank.

Mr. de Mesa says Bank of Commerce differs from what he describes as a "very bureaucratic and vertically structured" Philippine financial sector. "At Bank of Commerce the decision-making process is quicker because people have more responsibility and flexibility in their own areas. Salaries depend on performance abilities, which encourages everyone to give their best to the company." ●



We don't believe that anyone is less important.



Looking after you.

Bank of Commerce

Banco De Oro

A success story that keeps on growing, BDO wants to bring banking to all.

Banco de Oro (BDO), now one of the Philippines' top three banks, has been leading the consolidation movement in the financial sector here since 2000. As a result of its merger with Equitable PCI Bank (EPCI)—which was approved last year—BDO now offers an extensive nationwide reach through its impressive network of around 700 branches and more than 1,200 ATMs all over the Philippines.

As Nestor V. Tan, BDO's president, explains, the EPCI merger has given BDO total assets of roughly \$12.3 billion and a combined market capitalization of approximately \$1.9 billion, giving it a leading position in corporate and middle-market banking, consumer

banking, credit cards, asset management, remittances, leasing and finance.

Mr. Tan says that Philippine banks are benefiting from rising credit demand and a relatively stable interest rate. At the same time millions of dollars in overseas remittances have fueled renewed demand for credit cards, car loans and mortgages. "But the Philippines is still largely under-banked," he says: "If you look at salaried employees working in small stores in the provinces, they are unlikely to have a pay slip. There's a huge underground economy here and that needs to be tapped into, and that needs to be leveraged so as to be able

to provide the financing needed to contribute to economic growth."

Still among the least-mortgaged countries in Asia, mortgage finance contributes just 1.5% of GDP. Typically, large deposits have been required, making property buying the preserve of the affluent. But now a home purchase is within the grasp of mid-income employees of the fast-growing outsourcing sector, as well as overseas Filipino workers (OFWs) returning home. ●

Ayala Land: Reaching out to more Overseas Filipinos

Ayala Land provides Overseas Filipinos with the best choices for homes for their families.

"Ayala Land properties are great investments because of their increasing value over time, focus on product differentiation, and superb track record. The Ayala Land name is synonymous with quality and prestige," says Rex Mendoza, Ayala Land's Senior Vice President for Corporate Sales and Marketing. With over eight decades of experience, Ayala Land is the Philippine's largest and most trusted real estate developer.

Building large, holistic, and sustainable communities is its strength. Ayala Land continues to offer its brand promise to developments that are increasingly affordable and accessible to more people in more geographical locations, with products catering to different lifestyles: Ayala Land Premier, Community Innovations, and Avida.

"We invest in continued innovation, expansion in reach, and management of operational efficiencies," says Bobby Dy, Group Head of Ayala Land's Residential Development.

Ayala Land also draws on the competitive advantage from Ayala Property Management Corporation, which offers tenancy management, housekeeping, and leasing service, Ayala Property Leasing Exchange (APLEx), www.aplex.com.ph, where overseas customers can lease their condominium units. ●



If you're looking for a partner in the Philippines, please take a moment to browse through some of our credentials.

2007
Best Bank, *Euronomy*
Bank of the Year in the Philippines, *The Banker*
Best Investment House (BDO Capital), *FinanceAsia*

2006
Best of Banking and Finance in Asia, *Euronomy*
Best Managed Banking / Financial Company in Asia, *Euronomy*
Asia's Best Managed Mid-Cap Corporate of the Year, *Asiamoney*
Best Domestic Bank, *Asiamoney*
Best in Corporate Governance, *FinanceAsia*
Best Domestic Investment Bank (BDO Capital), *The Asset*
Best Investment House (BDO Capital), *FinanceAsia*
Best in Investor Relations, *FinanceAsia*
Gold Trusted Brand, *Reader's Digest*

2005
Best Commercial Bank in the Philippines, *Euronomy*
The Philippines' Best Managed Company, Mid-Cap, *Asiamoney*
Best Domestic Bank, *The Asset*
Gold Trusted Brand, *Reader's Digest*

Banking and financial experts across the globe are unanimous. For years, they have consistently cited BDO for its strong focus on innovation. Continuously finding ways to do well for its clients and other stakeholders. And constantly striving to perform even better in all aspects of banking. Qualities that, truly, make BDO the partner of choice.

We find ways

Ayala Land Corporation

The Philippine real estate sector is enjoying a period of sustained growth.

One of the key drivers of the Philippines property boom is remittances sent home by Overseas Filipino Workers. In 2007, OFWs spent around \$4.2 billion on the real estate sector.

Up to a third of the record-high foreign remittances sent home by overseas Filipino workers is spent on real estate, making the current property market boom more durable than previous episodes.

And the trend has not gone unnoticed. Real estate developers such as blue-chip Ayala Land—the real estate arm of the Ayala Corporation, one of the Philippines' biggest and well-established business conglomerates—are now targeting expatriate Filipino buyers.

"In the last five years or so, OFWs have begun to play an important role in this economy. Remittances from abroad are

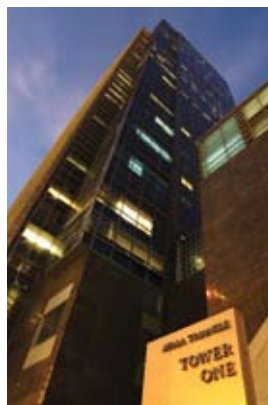
growing at 15% to 20% a year. About one third of our residential sales come from the OFW remittances. We are sending out about seven million workers each year. So these additions to our economy—along with the new, lower interest rates in the country—are guiding our industry's growth," says Jaime I. Ayala, the president of Ayala Land Corporation.

The property boom—reflecting the economy—is still in the early stages of recovery, with long-term potential for further expansion.

The Ayala Group has also established a strong regional presence through Ayala International. "Asia's strong growth rates are good for real estate. We are particularly interested in countries where the real estate industry is still in its infancy such as Vietnam, Thailand and China," says Mr. Ayala, adding: "We raised \$330 million in 2006 for a target equity real estate fund which encompasses the Asia area with the exception of the Philippines and Japan," says Mr. Ayala.

"We understand emerging markets and work well with partners who know their own cultural needs. We find that many landowners in Asia would rather deal with a partner who is in Asia and understands the history and way of thinking but has experience with important principles of governance," he explains.

With infrastructure development at the top of the Arroyo administration's agenda for sustainable growth in the Philippines, Mr. Ayala believes that Ayala Land has a role to play in national branding and sustainability.



"Looking forward, the heart of our work is the ability to create Ayala Land communities with our name's reputation and invite others in to strengthen the whole of these areas. We make sure all the important elements exist in each area of our projects that will ensure value growth into the future," says Mr. Ayala.

As the head of one of the country's biggest real estate companies, Mr. Ayala believes it is very important for the world to see the bigger picture in the Philippines. "There are many people abroad, decision makers, who still view the Philippines as unsafe, which is inhibiting growth in many sectors," he says. That said, perceptions are changing, he admits. "Tourism is important in spreading a better image of the Philippines abroad and Ayala Land is playing a role in building up tourism infrastructure to strengthen that sector. In the second

Up to a third of foreign remittances sent home by overseas Filipino workers is spent on real estate

quarter of 2008 we launched a new development plan that will include our core residential construction, hotels and resorts, and up market retail space." ●

JAIME I. AYALA
President
of Ayala Land
Corporation



A composite image showing a natural landscape of rolling green hills under a cloudy sky in the upper half, and a reflection of a modern city skyline with numerous skyscrapers in the lower half, separated by a horizontal line.

There's land.

And there's Ayala Land.

One of the most trusted and most respected real estate companies in the Philippines and in Asia, Ayala Land has managed to continuously change countless landscapes by enhancing land and enriching the lives of more people. Its impressive track record includes the Makati Central Business District, award-winning malls and world-class shopping centers like the Greenbelt Lifestyle Center, prominent office buildings like the Tower One & Exchange Plaza and residential developments that have been designed to cater to a wide range of lifestyles, aspirations and markets. Inspired by our values of integrity, reliability and commitment, Ayala Land continues to pioneer the future each day, with forward-looking developments like Nuvali and Bonifacio Global City. That's why in the Philippines, it's no wonder that there's land — and there's Ayala Land.

www.ayalaland.com.ph

The Yuchengco Group of Companies, Asia and Beyond

It has been over 60 years since Secretary Alfonso T. Yuchengco established what would now be known as the Yuchengco Group of Companies (YGC).

Through those seemingly long and trying years, the honorable secretary bestowed upon his vast conglomerate his undying mantra, "To serve the public's best interest."

YGC actually had its humble beginnings in the streets of Binondo, Manila, a community in the early 1900s bustling with Chinese immigrants and Filipino-Chinese descent doing business in the country.

YGC was then known as China Insurance and Surety Co., a non-life insurance firm formed by the secretary's father, Don Enrique Yuchengco. After his death post-World War II, the secretary drove the company into its fastest growth and expansion, paving the way to its current status today as one of the leading companies not only in the Philippines but also in South East Asia.

With YGC's no-nonsense approach in improving the lives of many financially through its vast knowledge in banking and finances as well as reaching out personally to the other needs of its clients and customers, YGC continued to stay at the top of its game.

Ms. Helen Yuchengco Dee, Chairperson of the Rizal Commercial Banking Corporation (RCBC), the banking arm of the conglomerate, spells out the vision and plans of the group in the coming years.



SEC. ALFONSO T. YUCHENGCO
YGC CHAIRMAN

"As the investment climate in the country improves, we are looking at expansion by inviting new strategic partners to come in. We have to be tuned to the needs of foreign investors for them to feel confident to come and invest safely and profitably. We should be able to service certain selected niches in the market."

YGC's goals to service the needs of everybody from birth to their twilight years are being enhanced by the company time and again.

From educational plans to life insurances, from housing loans to business growth and expansion, from family planning proposals to retirement benefits, every stage of a person's life is being addressed by YGC.

Secretary Yuchengco likewise sees and wants to immediately address the potential of YGC in helping out to

strengthen the role of the Philippines in uniting and harmonizing the South East Asian countries to become the go-to region in the 21st century.

"ASEAN's strength is really about staying together as a group, the same way Europeans have done. There is no way you can stay on your own anymore; even economic giants such as China realize the value of being part of a larger whole. The Philippines can act as a catalyst for enhancing and maintaining unity and harmony among the ASEAN countries," he said.

What YGC promised all throughout its years of existence and in the years to come is that customers will only get the best service, the best products, and the best in life.

Building an inter-connected society through world-class standards

The strong macro-economic fundamentals and good investment climate led to a healthy economy for the Philippines. This sparked renewed interest in infrastructure and property development in the country.

EEl Corporation, a wholly-owned Filipino construction firm, is at the forefront of the building boom nationwide, and is now eyeing a major share of the construction business abroad.

EEl specializes in building industrial projects,

real estate development and various infrastructure programs. Its other expertise is providing replacement parts and supplies for various industrial and commercial corporations as well as market manpower services.



It is the first Filipino construction company that was awarded its ISO 9001 from Germany proving its utmost expertise in its profession.

Aside from key infrastructure projects like expressways and airport and train terminals, EEI is also a major player in power, oil and petrochemical sectors. It has been involved in the formation of power generating transmission facilities; building of oil refineries; cement plants; chemical production plants; food and beverage manufacturing facilities; and semiconductor assembly plants.

Overseas, EEI acquired various packages like the \$180 million for the plant construction and fabrication and erection of furnaces of the Eastern Petrochemical Company's petrochemical facilities in the new Jubail Olefins Complex in the Kingdom of Saudi Arabia.

EEI President Roberto Jose Castillo said that the Middle East contract is one of the largest ever awarded in recent years to a Philippine contractor.

EEI Corp. is under the subsidiary of House of Investments, Inc., the property and infrastructure arm of the Yuchengco Group of Companies (YGC).



MS. HELEN YUCHENGO DEE,
CHAIRPERSON OF THE RIZAL COMMERCIAL
BANKING CORPORATION (RCBC)

"As the investment climate in the country improves, we are looking at expansion by inviting new strategic partners to come in. We have to be tuned to the needs of foreign investors for them to feel confident to come and invest safely and profitably. We should be able to service certain selected niches in the market."

The Strength of SYNERGY

YGC is the Yuchengco Group of Companies.

With investments ranging from banking to insurance, automotive vehicles to travel and tourism, construction and engineering, to information technology. YGC is among the premiere conglomerates in the Philippines and among the largest and diverse conglomerates in Southeast Asia.

www.ygc.com

YGC
YUCHENGO GROUP OF COMPANIES

Hocheng Philippines Corp.

For this seventy-seven-year-old top-end bathroom fixtures manufacturer, the human touch is what makes the Philippines special.

The Philippines has played a key role in the success of HCG in its 13 years of domestic operations. The Taiwanese company is now the country's largest bathroom fixtures maker, transforming the Philippines into a production hub for its exports worldwide in the process; it has also shared in the country's growing prosperity, benefiting from an increasingly skilled, and prosperous workforce.

The strategic move to the Philippines gained HCG a niche in the global market and enabled them to establish an ASEAN base. HCG benefited from the Filipino's high English proficiency which allowed them to serve the large English-speaking population of the world. Company president Steve Chien, explains the export strategy: "International clients prefer us over other companies who could actually give more competitive prices, but cannot offer a certain level of service. One of the major factors is because they know we operate in English, and that made a big difference: Our staff all speak English, and all our contracts, quality control standards, and regulations are in English."

HCG's plant is by far the largest manufacturing plant of bathroom fixtures in the country, with an annual plant capacity of 1 million



TEN YEARS AFTER THE CRISIS OF 1997....
MICHAEL CHIU (Vice Chairman of HCG Holding), **MR. ROGER CHIU** (Chairman of HCG Philippines), **MR. STEVE CHIEN** (President of HCG Philippines and HCG China), **MR. SCOTT CHIU** (Chairman of HCG China).

manufactured pieces. Mr. Chien says the company is currently running at full capacity, with an average growth of 30% per year.

Leadership in the industry has been due largely to the three corporate values that have been the core and foundation of HCG's business thrust—the 3S: Style, Satisfaction and Society. Uniqueness in Style is manifested through product design and innovation, display concepts, promotions, and events. Equally important is the close and personal relationship HCG upholds with its business partners and customers. Satisfaction is focused on provid-

World-class technology, creative ingenuity, and diligence suffuse HCG products with artistry and attention to detail.

ing consumers top-quality products and value for their investments. HCG believes in a long and lasting relationship with its customers, it is the only bathroom fixture brand in the Philippines that has a Customer Care Program. This assures a warranty on HCG products as well as 24-hour customer service hotline for easy access to technical information, assistance and service. Lastly, giving back to society is HCG's way of showing its deepest gratitude, as inspired by the belief of offering valuable change in the lives of Filipinos.

In the spirit of continuing to delivering these values, HCG Philippines has adopted the "I can live here"

credo. "I can live here" was borne from the realization that the bathroom is a pivotal element in our lives. With this, HCG takes on the mission of providing quality products based on sophisticated humanism while remaining socially responsible for upholding the standard of hygiene and sanitation for the society they serve.

Combining world-class technology, decades of creative ingenuity, and infused with the Filipino's diligence, every HCG product reflects artistry and attention to detail.

Although primarily geared to exports—its products sell in 20 countries worldwide, including Asia, North America, Europe, and the Middle East—HCG has also been quick to pick up on the potential of a fast-growing domestic market.

"This is in large part due to the OFWs returning home. They want new products, they want what they've used while living abroad," he says. He strongly believes that the attitude change brought about by OFWs brings business opportunities abound.

HCG is also benefiting directly from the return of OFWs. "The majority of our management staff is still Filipino, which has made us a local company, a policy that has helped with the unions. At the same time we are keen to employ people who have experienced working abroad, as we reckon that they appreciate their jobs better and work harder in order to progress in their fields. The people coming back from abroad have a different attitude," he says.

For HCG, the Philippines has turned out to be three-way success story: a solid export base; a booming local market; and a skilled, flexible workforce. But of the three factors, he insists that the main reason for staying here is the people: "They're our biggest asset." ●



"I can live here"



The HCG Credo

It is the first room that we go to when we wake up
and the last room that we go to before turning in.
It is the one room that relieves us, relaxes us,
comforts us, cleanses us.

It is the one room that takes care of us.
HCG believes that we should take care of it.
The bathroom, the true living room.



www.hcg.com.ph

PLDT goes the distance

With eight decades of experience behind it, the Philippines Long Distance Telephone Company has adapted well to competition.

Celebrating 80 years as the Philippines' leading supplier of domestic and international telecommunications services, the Philippine Long Distance Telephone Co. (PLDT) grew by 9% in 2007.

PLDT senior vice president Ernesto Alberto says that with so much of its growth in recent years coming from the international outsourcing sector, one of the biggest challenges it has faced is the strong peso.

"Despite these challenges there has been a definite increase in growth and profitability—we reported a 2.7% increase in net profits for 2007—which is why our stock price has risen dramatically and has been a strong anchor for the growth of the

Philippines Stock Exchange.

"We have also faced the challenge of rapid growth in the mobile network market," says Mr. Alberto, pointing out that by the third quarter of 2007 the company passed the 500,000 mark for new subscribers, doubling the previous year's levels. With 28 million subscribers, PLDT has close to 60% of the cellular market, competing against two other players.

Mr. Alberto says he is encouraged by what he calls "the explosion" of cellular services—Filipinos are among the world's biggest SMS users. "This has not happened yet with broadband but we can anticipate that it will. The growth in cellular service explosion shows that Filipinos are embracing new technologies," he says.

"We have been very successful in the new deregulated market, which is characterized now by stiff competition of prices and services. While we are a dominant player, our challenge comes from reinventing ourselves through innovation based on technology platforms that will enable our consumers to become more relevant global players," says Mr. Alberto. ●

SM INVESTMENTS CORPORATION: an evolutionary approach

Teresita Sy-Coson, president of SM Investments Corporation, says that the company's main challenge these days is sustaining growth from a bigger base—not that anybody looking at its phenomenal expansion over the last five decades would have noticed.

Ms. Sy-Coson explains: "It's a different ballgame from my father's day. He started out selling shoes, and when he saw that he couldn't grow anymore with that, he started selling clothes and household goods. And when we couldn't find good locations for our stores, we decided to build our own. This was a natural evolution, and it took us into property buying, and from that to shopping malls and residential properties."

The company then moved into banking, taking over Banco de Oro in 1997, and turning it in to one of the Philippines' top banks in a decade.

But Ms. Sy-Coson says that the "phenomenal" growth period is over, and that the time has come for the family to stand back and allow shareholders and the professionals it has been grooming take over the running of its divisions.

That said, Ms. Sy-Coson says that SM will follow the family tradition of seeking out opportunities in growth areas, one of which is the tourism industry. "My father believed in the importance of tourism, and with the government's new push in this sector, we are building new hotels and resort areas," she says. ●



We've always been about changing lives.

One of the most basic lessons in life has to do with the fact that even the smallest action can create a big effect. This is one of the greatest influences in the way PLDT pursues its goal of effecting change through innovations, whether big or small. This year PLDT marks its 80th year of changing lives.





www.pldt.com.ph www.smart.com.ph We're changing lives.

A milestone year for tourism

Back at the beginning of 2007, Tourism Secretary Joseph "Ace" Durano predicted "a milestone year for the tourism industry."

The Philippines Department of Tourism set itself a goal of a record three million visitors last year, up from the 2.8 million in 2006. It reached 3.09 million, and is now aiming for five million visitors annually by 2010.

What's more, visitor expenditure growth has averaged 20.11% over the last three years, making tourism one of the top dollar earners. Visitor receipts reached almost \$5 billion last year, up from \$3.5 billion for 2006.

Travel and tourism contributes more than four million jobs, making it one of the biggest employment-generating industries.

And last year, more than \$2 billion worth of investment poured into tourism estates, hotel and

resorts developments throughout the country.

Mr. Durano says that the tourism department has developed a new and strategic way to assess Philippine tourism that sees the industry as a value chain mapping out the real drivers and barriers to help improve

performance. Going forward, the department will continue in its efforts to maximize the value of the travel sector given the current available infrastructure capabilities and resources. It will also explore new and innovative ways to better direct the tourism sector toward a healthy and sustainable future.

"Our country offers a wide variety of activities and attractions, reflecting our culture, a total experience we aggressively and proudly promote in our target markets," says Mr. Durano, adding: "The milestone the industry has achieved confirms that we are on the right track and that we have set the momentum for 2008 and beyond." ●



"I can't wait to tell my officemates about these teeming opportunities here in the Philippines."

With 7,107 islands and known as the "Pearl of the Orient Seas," the Philippines is the world's second largest archipelago.

Acclaimed as one of the best global diving destinations for being one of the most diverse marine habitats of the tropics, the Philippines offers thousands of leisure and investment possibilities which are truly beyond the usual!

 **PHILIPPINES**
7,107 islands beyond the usual
www.philippines.com
www.experiencephilippines.com
www.visitph.com

PAGCOR: a stake in the Philippines' future

The state-owned gaming company is one of the main growth engines of the country's burgeoning tourism sector.

As chairman and CEO of PAGCOR, Efraim Genuino has applied his wealth of organizing experience to the task of promoting the Philippines internationally as a top-level tourism destination.

A former campaign manager for President Arroyo, Mr. Genuino praises the government for its infrastructure program, but says much remains to be done in the tourism sector, pointing to a shortage of hotels. "Entertainment City will add an extra five to six thousand rooms, doubling Metro Manila's current capacity," he says.

He also believes that despite opposition from local airlines, the country needs to adopt an open skies policy if it is to fully develop its tourism potential.

The Philippines has now begun aggressively targeting the Chinese market, where an estimated 150 million people will travel over the next five years.

"This country has the potential to seriously challenge Macau as the region's main gaming resort, which currently turns over around \$6 billion a year," he says.

He says that PAGCOR has been invited by companies in neighboring countries like Vietnam to set up joint ventures. "We are keeping things like that in mind but our main focus will remain on growing at home.

"We have one of the most strategic positions in Asia. We are no more than three and half hours by flight to all the key cities in Asia like Hong Kong, Beijing, Tokyo, Seoul, Bangkok, and Singapore. This is the center of all of it, an island with over seven thousand islands and beautiful people, beautiful beaches and a huge reputation as great performers and artists.



The Philippines has the potential to seriously challenge Macau as the region's main gaming resort.



Domestic perceptions

Aside from his efforts at the international level, Mr. Genuino has brought to his job a clear understanding of the need to change perceptions of the body's role at home.

Under Mr. Genuino's leadership, PAGCOR's annual growth rate has already doubled, making it the third-largest source of revenue for the government. Not that he's resting on his laurels.

"Growth has been moderate and controlled," he says, mainly due to negative perceptions of gaming in this predominantly Catholic country.

"When I look at countries such as Spain and Italy, which are also very Catholic, I see a much bigger gaming base than we have here. If we expand to their levels of gaming machines, our profitability will be phenomenal.

There are close to 90 million people in the Philippines," he says: "That is a huge market to be tapped."

Negative perceptions cannot be changed overnight, says Mr. Genuino, but they need to be addressed. "We are more than a gaming outfit: PAGCOR has huge social responsibilities as well. We give 5% of our income to the internal revenue, and 50% of our income goes to the national treasury for infrastructure development." PAGCOR also funds social, educational, and sports programs." ●

US\$15 billion project to transform Philippine tourism landscape

RIDING on the confidence that the Philippines has what it takes to become a world-class tourist destination, the Chairman of the Board and Chief Executive Officer of the Philippine Amusement and Gaming Corporation (PAGCOR) unveiled the master plan of a US\$15 billion entertainment and tourism complex, set to rise along the world-renowned Manila Bay.

Efraim C. Genuino, top honcho of the state-run gaming firm, believes that the Philippines' abundance of untapped natural wonders gives it a competitive edge over other premier tourist havens in Asia. But more than that, the country itself is strategically positioned within a four-hour radius of some of the most economically stable nations in the world.

When he assumed office in 2001, Genuino envisioned a fully-integrated entertainment and tourism hub, designed to showcase the Philippines' charm and magnificence. Named the Bagong Nayong Pilipino (New Town Philippines) Manila Bay Integrated City, the project will initially cover 80 hectares of prime reclaimed land and will be developed in various phases over the next 10 years.

From gaming to entertainment

Set to rival the most popular destinations in the world, the Bagong Nayong Pilipino Manila Bay Integrated City will feature entertainment facilities at par with international standards. These include high-rise luxury hotels, amusement and theme parks, race tracks, restaurants, shopping centers, a golf course, sports stadium, museums and cultural complexes, state-of-the-art theaters, residential villas, retirement homes and medical facilities, a marina and boardwalk, waste management facilities and an observation tower, which will be among the highest structures in the world.

The project represents the paradigm shift of the corporation from mere casino

gaming to family-oriented entertainment.

Catalyst for economic development

Through the Bagong Nayong Pilipino-Manila Bay Integrated City, Genuino sees PAGCOR becoming the catalyst for economic growth for the Philippines. He said that this multi-billion dollar investment may be the economic miracle that the Philippines had been waiting for all these years.

"The Bagong Nayong Pilipino Manila Bay Integrated City represents a vital turning point for the Filipinos. With this project, we aim to put the Philippines at the forefront of tourism development and the booming gaming industry – two leading sources of revenue for nations worldwide," Genuino explained.

The project's Terms of Reference, posted on www.pagcor.com, requires each potential investor to commit at least US\$1 billion to be able to participate. Project cost is expected to reach US\$15 billion.

Foreign direct investments and local businesses – especially those in construction, customer services, food, beverage, information technology, hospitality, travel and transportation – are expected to receive a big boost once the project kicks off.

The national government also stands to earn more revenues through lease payments and taxes paid by both local and foreign investors.

250,000 new jobs

The PAGCOR chief also added that while it aims to highlight the country's natural beauty

and give the domestic tourism industry its much-needed boost, this massive entertainment hub is also one of the biggest job-generating programs of the government.

Once operational the project is expected to provide decent jobs to more than 250,000 Filipinos who want to earn competitively without having to join dollar-paying jobs overseas.

The Philippines' advantage

More than its rich natural wonders, the Philippines is now one of the most aggressive country players in Asia that has made a mark in attracting foreign business opportunities – targeting the markets in USA, Europe and neighboring Asian countries.

With the abundance of skilled and talented workers in the Philippines, clear-cut and fair government policies for foreign investors, reasonable labor rates and government incentives such as tax breaks for offshore offices numerous businesses abroad have outsourced their operations here. As a result, the Philippine peso is now hailed as one of the best performing currencies in the world.

Also, with the ever-increasing tourist arrivals in the country, the Philippines looks forward to a more vibrant tourism industry and a stronger economy, fueled by the world-class Filipino service.

As the visionary behind the Bagong Nayong Pilipino Manila Bay Integrated City, Genuino believes that the Philippines in no time will take the leap and make its mark in the global tourism industry until it finally realigns itself with the most progressive nations in the world.



SEAIR's very **profitable** niche market

A decade after starting out as an airline "for fun", this local player is keen to expand its route network.

Still in his thirties, Nikos Gitsis already has more than a decade's experience behind him as co-founder of South East Asian Airlines, one of the Philippines niche operators, but one that is dedicated to serving this vast archipelago's more remote spots.

Mr. Gitsis says the company, set up with Iren Dornier, a member of the German aircraft manufacturer family, began operations in August 1995 and like all foreign companies is 60% owned by local investors.

"It started out more of a fun idea than a business venture. Soon after, we became more and more involved and began building an actual company. The big players at

that time did not even notice us here because we were very small and the small players took notice and were more concerned because the quality of our planes was better. We were able to consolidate the market and improve the service standards," explains Mr. Gitsis.

The company, which serves 17 Philippines destinations on the islands of Luzon, including Manila's two main airports, Visayas, and Mindanao, is in the middle of a deal that it hopes will allow it tie up with local player Tiger Airways and thus expand its routes to new destinations such as Singapore, Cebu, Davao, and Macau.

"As a company that started out



so small, we have continued to show ambition and resourcefulness, and we know that there is tremendous growth potential ahead of us," says Mr. Gitsis. "The big players are now trying to compete in our market segment, so it will be interesting to see how our market develops. We try to bring the best of everything to the table. That has always been our motive and mission." ●

NAMI **RESORT**: magical, but very real

Just seven kilometers long, the island of Boracay is about half-an-hour's flying time south of the Philippine capital of Manila. It has spectacular scenery, white, talcum-fine beach, balmy weather, and warm, crystalline water. Equally importantly, it has taken a sustainable approach to tourism, becoming an anchor destination among the 7,000 more islands that make up the Philippine archipelago.

Perched atop one of Boracay's stunning cliffs overlooking the Sulu Sea is Nami Resort, offering refined, but authentic Filipino hospitality. As the exclusive destination's managing director, Cheese Ledesma-Ong explains: "Nami strives to be more than just a picturesque place to stay; it strives to be a special haven, a secret hideaway, an indigenous castle in the clouds where lives are touched and amazing memories are created."

All rooms at Nami have breathtaking views and a jacuzzi on the balcony, and the interior design is Contemporary Filipino.

Nami sets new standards for a wellness holiday, offering a range of therapeutic massages and treatments.

The Manami Bar & Restaurant's 180-degree ocean view is unmatched on the island. The chef's principle is to keep the menu small, select and impeccable. Room service is also available, and picnic lunches for island hopping tours are a speciality. And once back at the resort, banquets may even be arranged.

Ms. Ledesma-Ong sums up the resort best: "The unmistakable magic in the air is supernaturally brewed out of the wide smiles, accommodating demeanor, selfless patience, intense faith, and positive outlook of the unadulterated local culture." ●

