LRMC arbitration seen to dent government plan for rail PPPs

By Arjay L. Balinbin
Senior Reporter

LIGHT Rail Manila Corp. (LRMC), the private operator of Light Rail Transit Line 1 (LRT-1), is hopeful that the arbitration case it filed against the Transportation department and the Light Rail Transit Authority (LRTA) will be resolved soon, as the company bleeds despite the easing of mobility restrictions.

A resolution to the arbitration case concerning compensation claims and fare adjustments is crucial, especially if the government intends to offer its railways for public-private partnerships (PPPs), LRMC President and Chief Executive Officer Juan F. Alfonso told *BusinessWorld* on Wednesday.

"The new administration has been making it very public that they want to push for PPPs; but when you market yourself for a PPP project, the first thing that potential investors will look at are arbitration cases with the government," he noted.

"I think they are aware of that. I think you can telegraph the way they are going to move based on that. They would like to have as many cases (as possible) behind them," the LRMC chief added.

LRMC hopes to recover around P2.67 billion in compensation claims and costs resulting from delays in the implementation of fare adjustments for 2016, 2018, and 2020.

The company recently filed a request for arbitration against the Department of Transportation (DoTr) and the LRTA, the grantors under the 32-year concession agreement for LRT-1.

LRMC reported on Wednesday that it incurred a core net loss of P494 million for the January-to-September period "due to the start of amortization of concession assets and borrowing costs."

"Our ridership level is just starting to recover," Mr. Alfonso said.

LRT-1's average daily rider count rose 76% to 203,914 compared with 116,021 in 2021 with the allowed operating capacity lifted to 70% in November that year and further to 100% in March 2022.

"To recover, there are two things that we have to address. We have to recover the volume and then [increase the] ticket price," Mr. Alfonso said.

"There's a necessity to increase" the ticket price, he added, noting that other modes of transportation have been allowed to raise their fares due to rising fuel costs.

The existing boarding fare for LRT-1 is P11, while the distance fare is P1 per kilometer, LRMC Spokesperson Jacqueline S. Gorospe said in a phone message.

Sought for comment, LRTA Administrator Hernando T. Cabrera said that fare adjustment is an annual exercise on the part of the public transport operator.

The fare increase will be uniform across all rail systems, he said during a briefing on Thursday.

Mr. Cabrera also noted that LRMC is requesting to implement a "boarding fare of P16.46 and a distance fare of P1.50 for 2022."

The petition "will go through a long process," he said when asked about the release of the resolution.

On the arbitration case, he said: "The DoTr is being represented by the Office of the Solicitor General and the LRTA is being represented by the Office of the Government Corporate Counsel."

"A preliminary hearing has been conducted," Mr. Cabrera added.

Transport Secretary Jaime J. Bautista said in a statement on Wednesday that "LRT-1, LRT-2, and MRT-3 (Metro Rail Transit Line 3) continue to be subsidized by government to keep fare levels affordable."

"We are looking at partnering with private rail operators for MRT 3's operations and maintenance – under the same scheme with LRT 1 – with the rail line's assets remaining government-owned," he added.

LRMC is the joint venture of Ayala Corp., Metro Pacific Light Rail Corp., and Macquarie Infrastructure Holdings (Philippines) Pte. Ltd.

Metro Pacific Investments Corp. is one of three Philippine subsidiaries of Hong Kong's First Pacific Co. Ltd., the others being PLDT, Inc. and Philex Mining Corp. Hastings Holdings, Inc., a unit of PLDT Beneficial Trust Fund subsidiary MediaQuest Holdings, Inc., maintains interest in *BusinessWorld* through the Philippine Star Group, which it controls.

Nickel Asia posts 12% profit rise to nearly P7B

LISTED mining firm Nickel Asia Corp. posted a 12% increase in its nine-month attributable net income to P6.90 billion on the back of higher ore prices.

In a stock exchange disclosure on Thursday, the mining firm said revenues increased by 2% to P21.51 billion from P21.03 billion due to favorable exchange rates and higher nickel ore prices. Earnings before interest, tax, depreciation and amortization (EBITDA) reached P11.10 billion, slightly higher than P11.01 billion last year.

"Despite the challenges in our mining operations due to adverse weather conditions at our mine sites, the favorable London Metal Exchange nickel price and strong US dollar helped drive revenues up by 2% from the prior year," Nickel Asia President and Chief Executive Officer Martin Antonio G. Zamora said.

Ore sales volume from five operating mines declined 14% during the period to a combined 12.44 million wet metric tons (WMT) from 14.44 million WMT last year.

"The drop in sales volume was almost in direct proportion to unrealized workable days caused by unfavorable weather that adversely affected the company's mining operations during the period," Nickel Asia said.

For the nine-month period, Nickel Asia said that the weighted average nickel ore sales price increased by 5% to $29.46 per WMT compared to $28.05 per WMT.

"The company realized P54.22 per US dollar from these nickel ore sales, a 10% increase from P49.17 last year," the firm said.

Broken down, Nickel Asia exported 6.68 million WMT of saprolite and limonite ore at an average price of $38.87 per WMT for the period, lower than the 8.72 million WMT at $38.88 per WMT last year.

The company also sent 5.76 million WMT of limonite ore to its Coral Bay and Taganito high-pressure acid leach (HPAL) plants, which had an average price of $11.66 per pound of payable nickel, higher than the 5.72 million WMT at $8.20 per pound last year.

The nine-month average price of the deliveries to the HPAL plants was also higher at $18.55 versus $11.54 in 2021.

Separately, Nickel Asia's renewable energy unit Emerging Power, Inc. (EPI) posted a 60% improvement in revenues to P393.67 million, while its EBITDA also climbed by 51% to P239.50 million.

EPI's improved performance came from a 56% year-on-year increase in the generation capacity of its operating arm Jobin-SQM, Inc. (JSI) to 79,022 megawatt-hours (MWh) after the completion of its 38-MW expansion in June, bringing its total capacity to 100 MW.

Power sales of JSI's Sta. Rita plant had an average realized tariff of P4.98 per kilowatt-hour. Of the plant's power generation, 70% was sold to retail electricity suppliers via power supply agreements while 30% was sold to the Wholesale Electricity Spot Market.

"JSI logged a net income of P72.83 million, allowing EPI to trim its losses to P133 million from the same period last year, a 53% reduction thanks to higher economies of scale and improved market conditions," Nickel Asia said.

It said that the construction of EPI's additional 68 MW in Subic is expected to go online by the last quarter of 2023.

Recently, EPI entered into a joint venture agreement with Shell Overseas Investments B.V. for the creation of a platform to own, operate, and maintain utility-scale onshore solar and wind power generation projects and battery energy storages in the country.

The venture, with equity ownership of 60% EPI and 40% Shell via a newly formed company Greenlight Renewables Holdings, Inc., targets to have an aggregate operating capacity of 1,000 MW by 2028.

According to Nickel Asia, the joint venture is also an avenue to explore synergies with retail electricity supplier Shell Energy Philippines, Inc. in a bid to provide integrated value to customers.

Meanwhile, Nickel Asia said in a separate disclosure that its board of directors approved to guarantee the P2-billion loan facility to be obtained by EPI.

The mining firm disclosed that EPI would get the loan from Security Bank Corp.

"The proceeds of the loan will be used to finance the Phase 4A, 68-MW Subic solar power plant expansion of EPI's solar power subsidiary, JSI," Nickel Asia said.

Nickel Asia also mentioned that its board approved the renewal of promissory notes issued by JSI amounting to P1.095 billion. The notes were for Nickel Asia's advances used by JSI for Phase 3B of its solar power plant expansion project last year.

On Thursday, shares of Nickel Asia rose 17 centavos or 3.28% to end at P5.36 apiece. — **Revin Mikhael Ochave**

'Meat,'
from S1/1

slaughterhouse, and meat-cutting and meat-processing plants. As part of its ecosystem, RDF owns and operates a meat shop chain to provide maximum value.

Mr. Lo, a veterinarian, first experienced the entrepreneur's life in a small department store owned and run by his parents. After experiencing a setback in his educational aspirations in 1984, which he later saw as a blessing in disguise, Mr. Lo founded RDF in 1988. He started as a poultry contract grower for giant integrators but seized the opportunity to expand after recognizing what he needed: housing, management and labor. By 1991, he had opened two more poultry farms in Pampanga and stopped being a contract grower.

His entrepreneurial journey faced challenges, such as calamities and animal-related pandemics. The eruption of Mt. Pinatubo in 1991 destroyed his poultry farms. The rampant smuggling of chicken leg quarters during the Asian financial crisis in 1997 resulted in P10 million in losses for RDF, while several other poultry businesses were shuttered. Disaster struck once more when Typhoon Reming caused lahar flow to increase, wiping out one of his farms.

One of Mr. Lo's biggest challenges was dealing with substandard feeds from various suppliers. Using his background in animal nutrition as a veterinary medicine graduate, he formulated his own high-quality feeds.

Realizing that he couldn't depend on a single product for growth, Mr. Lo opened a piggery business in 2001. However, two farms were wiped out after being hit by African Swine Fever (ASF). With the help of a veterinary molecular epidemiologist and by strategically compartmentalizing his farms, Mr. Lo said the farms now operate at normal capacity without waiting for a vaccine. His investment in a laboratory for testing and in stricter vicinity controls also prepared the company for any other potential strains.

Mr. Lo sought to make the company's food products more accessible to bigger markets by transforming his business into a vertically integrated enterprise. While selling livestock through middlemen is a common practice in the industry, he instead opened his own meat shop in 2005 to distribute his company's products.

Fresh Options Meatshop, which began inside an Angeles City supermarket, has now grown to more than 180 branches with a chain of standalone stores and a presence in local supermarkets. When the coronavirus pandemic struck in 2020, RDF quickly pivoted online, allowing it to continue providing customers with quality meats.

When faced with poor chicken sales, Mr. Lo produced value-added chicken products such as *embutido*, nuggets and *tocino*. To address inventory buildup, he added distribution channels in the form of two restaurants. Roberto's is a Western-inspired restaurant in San Fernando, Pampanga. Hot Kitchen by Fresh Options, which provides home-cooked, ready-to-heat and ready-to-cook products, has branches in Quezon City, Mandaluyong and Taguig.

Mr. Lo champions quality and initiates various programs to support the company mission of product excellence, process efficiency, professionalism and social commitment.

One such program is the RDF University, which offers internal programs geared toward leadership development. The company also provides free education to selected employees in various institutions, such as the University of Makati, TESDA for NCII certification and the Department of Education's Alternative Learning System for junior high school education. Mr. Lo is also a member of the Pampanga Chamber of Commerce, where he mentors small business owners in improving their own operations.

RDF also has various environmental, social and governance practices. Its state-of-the-art farms are accredited by the Bureau of Animal Industry for Animal Welfare and Good Animal Husbandry Practice, signifying how these farms have met the strictest requirements for animal welfare and food safety.

In its piggeries, RDF uses smart climate-controlled housing, a three-week batch program for pig flow and artificial insemination. Its poultry operations adopted a new approach toward brooding by elevating the energy level of its own feeds instead of using artificial heaters. Its use of customized chicken cage systems resulted in more efficient manure collection, helping control fly infestations in the community where the farms are located.

In his three decades of experience, Mr. Lo said he has never been afraid of failure. Instead, he noted that setbacks are lessons to learn from. Before RDF, he had other businesses that failed, such as a quail farm, a small animal clinic and Robbie's Deli in a Hurry, a food-from-the-wall concept business that unfortunately closed after only a year.

He learned from these failures and now applies data science to gather consumer insights before developing new products. RDF's plans for future growth involve using AI to help collect data faster and more easily, as well as more effectively analyze consumer behavior and identify trends.

Despite the scale of his business, its many moving parts and the many challenges he faced, Mr. Lo said he sees the value of the work he does to sustain food security as well as support local communities and improve the quality of the agriculture sector. This is why he emphasizes to young people: "Enjoy what you are doing so that you can stay productive and motivated even in the face of difficulties."

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