

THE BEGINNINGS OF JAIC HILTON WITH **TISSA JAYAWEERA**

Tissa Jayaweera is currently the Managing Partner at TJ Associates as well as Chairman/MD of five other companies. He is a distinguished personality with a PhD in Business Management and has many other accreditations and accolades to his name. He is also acclaimed for serving at the helm of numerous prime corporations in Sri Lanka. Here, Tissa gives us a glimpse into the past, focusing on the initial stages of the JAIC Hilton project, one in which he primarily negotiated the management contract.

JAIC Hilton is celebrated as one of the leading hotels in Sri Lanka. Could you please brief us on the background of JAIC Hilton and your involvement?

Japan Asia Investment Company (JAIC) was introduced to me by another Japanese company as a joint venture investment technical partner for a project under discussion with this company. I met the management of JAIC in Japan and as Sri Lanka was new to them, they joined an Investment Mission organised by the Embassy of Sri Lanka in Japan. The JAIC team reported to their management that Sri Lanka should be in their portfolio for investment. Subsequently, the Chairman of JAIC, Mr Imahara visited Sri Lanka. This visit was coordinated by the Sri Lanka Ambassador in Japan, Charlie Mahandran and the Minister of Industries, Mr Ranil Wickramasinghe. Mr Mahandran requested me to be present at the discussion along with the Minister as I was fluent in Japanese due to my involvement with Noritake. At the discussion, the Minister was asked by the Chairman of JAIC on the best investment they could make, to which he replied that there were no

Japanese managed hotels for a family from Japan to stay in, although Sri Lanka had over 80 investments from Japan in action from early 1990. JAIC put forward a project proposal to the Minister to construct a serviced apartment complex in 1992. The Board of Investment (BOI) approved the proposal after much hassle. JAIC did not have a representative in Sri Lanka at that time, and I was invited to take over the management of the project along with other resident representatives of JAIC. As I was involved with the State organisation, the Minister permitted me to work for JAIC, in addition to my work for the State.

In terms of land, there were relatively very few who were interested in selling at that time. Yet, we were able to acquire about 1.8 acres at LKR 400,000 per perch, in 1994. We set the bearings, specifications and an apartment complex was designed with 2-3 bedroom apartments along with a shopping mall. After we went through the plans, Kajima Singapore was handed the contract for the designs/architecture. JAIC appointed Aoki, a company in Japan, to supervise the work. Kajima-Aoki sub-contracted duties to

various other organisations in Sri Lanka and supervised the project in partnership with other local contractors. They also sent a Japanese representative of JAIC to facilitate other investments in Sri Lanka.

JAIC appointed a company from Japan to manage the complex. After many discussions with them, I felt that they were not the right people to manage the complex. They were new to Sri Lanka and their views did not match operations in Sri Lanka. One day, Gamini Fernando, who became the first General Manager of Hilton Colombo, invited me for a one to one chat over lunch at the Hilton and he expressed an interest in managing Hilton JAIC Lanka Tower. I informed Mr Yoshi Sasaki, the Managing Director of JAIC of the Hilton offer. He flew down to Colombo to have an informal chat with Gamini and Simon Barlow, the Director Asia of Hilton Operations. Mr Sasaki gave Gamini's proposal due hearing. Sasaki then made an appointment for us to visit Tokyo to make a presentation to Mr Imahara, the Chairman of JAIC. The Chairman, at first, did not acknowledge the idea as he was Japanese-orientated. However, the meeting

with Gamini Fernando impressed the Chairman. The presentation was about competitive hotels and pricing strategies and the figures presented were much better than the hotel management company in Japan.

As stated in the agreement with the BOI, the plan was to complete the project in 12 months. Subsequent to the LTTE attacks, all high-rise construction in Colombo were halted. At that time, the World Trade Centre (WTC) project was recognised as a 'flagship' project, with permission for construction from the BOI. Our JAIC project, like the WTC project, had an investment of USD 100 million. We requested the same recognition/status and were authorised construction under specific regulations. Yet, eight months down the line, we were asked to cease work. Although we protested against it collectively, permission was not granted again.

We were summoned to meet with President Mrs Chandrika B Kumaranatunge, unfortunately, she did not attend the meeting. The Secretary to the President, Mr Balapatabendi, chaired the meet-

ing. Due to our challenge in the Gazette in the International Court of Arbitration, we were granted permission to start construction. We were instructed by Security Authorities to have a 180-foot high screen to prevent construction staff from having a direct view of Temple Trees, the official residence of the Prime Minister of Sri Lanka. We claimed damages from the BOI for halting construction for 38 days. It took us nearly three months to restart and to re-mobilise equipment. In total, the delay was about five months and in turn, our twelve-month target was extended to seventeen months. By then, the dollar was also re-valued and the project lost about LKR 24 million overnight.

In 1996, we had a soft opening for Hilton with JAIC Chairman and Thilan Wijesinghe, the Chairman of the BOI. We were the first serviced apartment complex in Sri Lanka and our only tenants were those from Embassies. So we went ahead and Hilton was in charge of the marketing processes. We were doing quite well until the bombing that took place in Colombo. A drastic diminution in performance followed the unprecedented events and JAIC was answerable to their shareholders in Japan for the losses made. This was when Mr Imahara retired as the Chairman and a representative from Hitachi was appointed as the new Chairman.

As the new Chairman took over the management, plans did not go as expected and a few months later, we were instructed to sell the project. Although we advertised heavily, the hunt for buyers was

challenging. I approached Seylan Bank, HSBC, Binod Chaudhary group and many others, yet the value approached by Hidramani was the highest. We were only able to recover about 10-15% from the investment of USD 100 million. After the takeover, I resigned from my position with JAIC. I was employed by JAIC on a monthly basis, from 1994-1998.

With JAIC Hilton being initiated at a time when investments in Sri Lanka were picking up gradually, what were the critical challenges faced with setting up the project?

The process of setting up was crucially made difficult by the Government. As aforementioned, the approval process in Sri Lanka is very tedious and not streamlined. Although people talk of one-stop-shops now, that was not the case then. Working with the BOI added to the stress as they scarcely assisted foreign investors. I have had numerous problems with the Labour Department and their approval process, which was entirely outdated. Back then, the unacceptance of credit card payments by the Colombo Municipal Council (CMC) and many other Government offices also made it difficult for us. The Ceylon Electricity Board (CEB) and the Sri Lanka Telecom (SLT) did not cooperate at all. I was involved with projects in Bangladesh, China and Pakistan and those were comparatively less of a hassle for foreign investors.

What would be your advice to potential investors who are to embark on serviced apartment projects?

I believe now is the ideal

time for any foreign and local investment/construction. If a project has been halted, it is the best time to restart construction and complete work. When things get back to normalcy, we should be ready to start trading. Tourism has already begun in several countries and we should not fall behind.

Serviced apartment concepts such as the JAIC Hilton are rare in Sri Lanka. There are similar projects, but they are not serviced fully and they do not offer the services that the Hilton Residence provides. Potential investors should take JAIC as an excellent example of how to set up serviced apartments properly, as most fail to design their serviced apartments for their intended purpose. Usually, leftover stock of real estate projects is converted into serviced apartments, which is indeed a wrong concept.

There is a lot of potential for development if people construct it the right way and by retaining its purpose. In addition, there are many neglected buildings in Colombo and other provinces owned by families that can be converted into hotels. On the whole, the private sector needs to bring in more innovative concepts.

What are your thoughts on the Colombo Port City development and how Sri Lanka is moving forward?

The Port City was originally a private sector proposal by a blue-chip company of Sri Lanka to reclaim 450 acres from the sea. This was subsequently taken over by the Ministry of Ports and converted into a megaproject. If the private sector company proceeded

with the proposal, China would not have been involved rather the Port City would have been owned by a listed company in Sri Lanka. It is definitely a lucrative investment and a project that should have been conceptualised and implemented long ago. Despite the disagreements and disputes, I believe that the massive investment can be fruitful if politics does not negatively interfere.

The Government has various growth proposals, but few support these proposals and very few progressive ideas are discussed in parliament. Hence, as citizens, we should not rely on the Government and generate our own ideas to move the country forward.

If Sri Lanka is to develop on a fast track, the country has to attract Foreign Direct Investment FDI. India has opened its doors for USD 80 billion to be invested by the private sector of the USA. Pakistan, Bangladesh, Vietnam, Cambodia, Indonesia have adjusted their investment laws to attract US investment moving out from China which is estimated to be approximately USD 1 trillion. As these investments are by the private sector with no US Government involvement, the countries will be politically stable. In comparison, investment from China, mostly done through the Government of China, will be politically biased. The only US investment done in Sri Lanka for the past many years is being protested - this investment was for a power plant that would produce around 10% of the power output of the country. This country is always "Koheda Yanne Malle Pol", a famous Sinhala statement.