

# THE PHILIPPINE ADVANTAGE

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# Open Market Economy Reforms

### Growth-Oriented

- Deregulation of key industries and services
- Privatization of government corporations
- Strengthening of the capital markets and banking system

### Business Friendly

- Allows 100% foreign-equity participation
- Market-oriented foreign exchange policies
- Guarantee of basic rights and interests for investors

# *The Philippine Advantage*

## Quality Human Resource

- *Competitive labor force (quality, cost & availability)*
- *3<sup>rd</sup> largest English speaking nation*
- *World-class English language proficiency with capability for some Asian languages*
- *Fast learning curve (needs only 6-8 weeks to learn technical skills)*
- *Long tradition of excellence in the professions*
- *Strong work ethics and customer orientation*
- *Universal Cultural Adaptation*

# The Philippine Advantage

## Strategically Located in Asia

- ❑ **Regional Hub for Logistics**
  - FEDEX, UPS, Lufthansa Technik
- ❑ **Critical entry point to the important over 550 Million People ASEAN Market**
- ❑ **Reachable within 4 hours by plane from Asian key cities**
  - Japan
  - Korea
  - China
  - Singapore
  - Taiwan
  - Thailand
  - Indonesia



CITY	Flight Hours	CITY	Flight Hours
Frankfurt	1300	Tokyo	0335
Paris	1640	Seoul	0400
Stockholm	1650	Shanghai	0220
London	1400	Singapore	0300

**make it philippines**

## Reliable Infrastructure Support

- ❖ *Expanding Multi-media Infrastructure*
  - *24x7x 365 support operation*
  - *Aggressive lead times in provisioning of international leased circuits: 30-45 days*
- ❖ *Deregulated Telecommunications Industry*
  - *More stable, robust, highly scalable due to numerous fiber optic landings/links*
  - *Cost of bandwidth has gone down by 70% in the last 4 years (US\$ 2,000 - 4,000 per month for T1 to U.S.)*
- ❖ *Presence of Dedicated IT Parks Right in the Center of Business Districts*

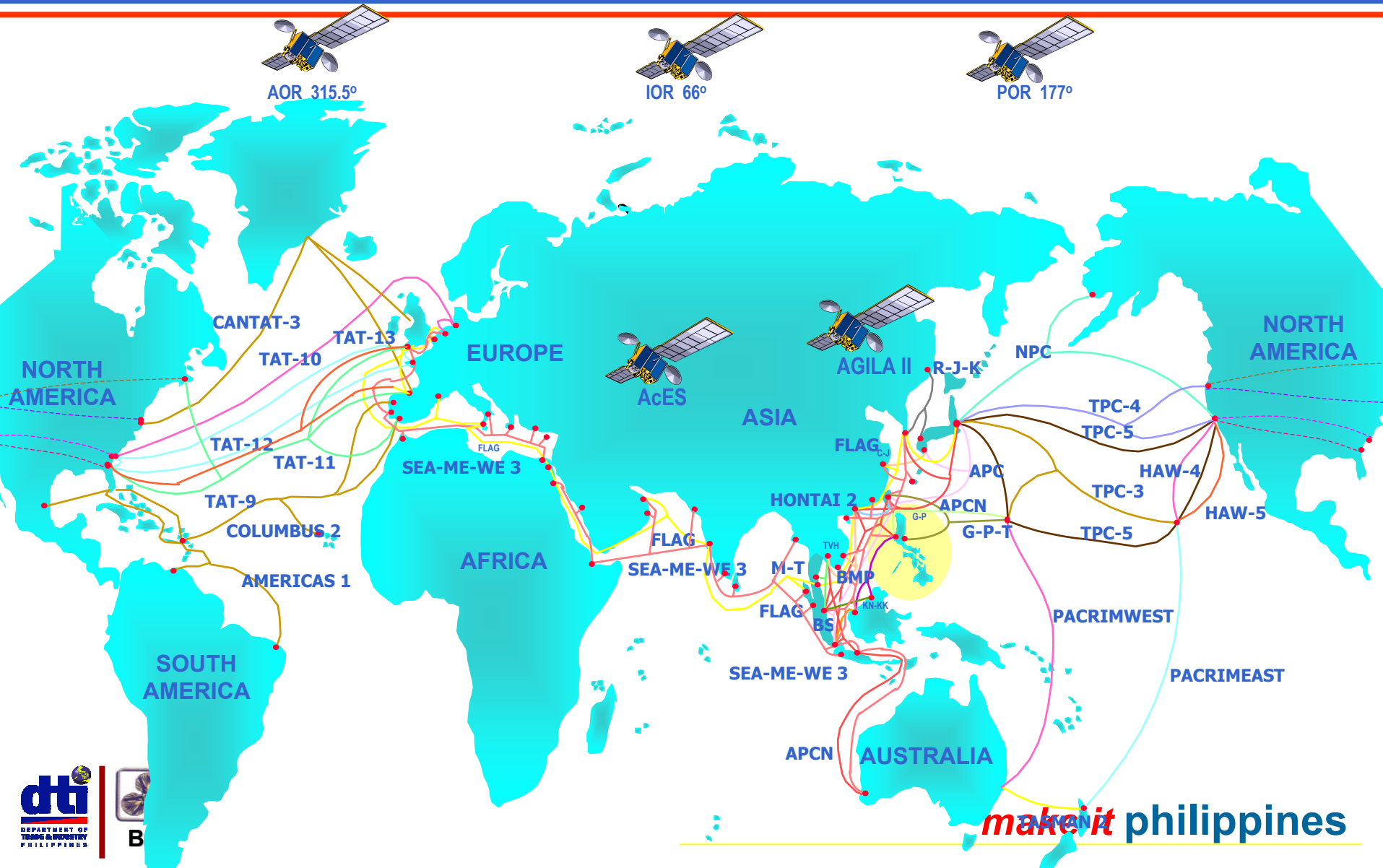
# Telecommunication: Full Competition

COUNTRY	Local Services	Domestic Long Distance	Intl Long Distance	XDSL	Wireless Local Loop	Mobile Analog	Mobile Digital	Leased Lines	Data	VSAT	Paging	Mobile Satellite	Fixed Satellite	Cable TV	GMPCS	IMT 2000	ISP	
AUSTRALIA	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	COUNTRY FREEST T SEC
PHILIPPINES	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	
IRELAND	C	C	C	C	C	P	C	C	C	C	C	C	C	P	C	P	C	
CANADA	C	C	C	C	C	P	P	C	C	C	P	C	C	C	C	....	C	
CZECH REPUBLIC	C	C	C	C	P	P	P	C	C	C	C	C	C	C	....	P	C	
HUNGARY	P	C	C	C	C	P	P	C	C	C	P	C	C	C	C	....	C	
MEXICO	C	C	C	....	....	....	....	....	C	C	C	C	C	C	....	....	C	
BRAZIL	P	P	P	....	....	P	P	C	C	C	C	C	C	P	C	P	C	
INDIA	C	C	M	....	C	....	P	....	C	C	C	....	M	C	P	....	C	COUNTRIES STATE-TELECOMS
RUSSIA	D	D	D	....	....	C	C	M	C	....	C	D	D	C	....	....	....	
CHINA	P	P	P	P	P	....	P	P	P	C	C	M	M	....	M	....	P	

Key: C=Full Competition; P=Partial Competition; D=Duopoly; M=Monopoly

Countries from 2002 Research by AT Kearney, Inc. ("WHERE TO LOCATE: Selecting A Country for Business Process Outsourcing") - top 11 country candidates for BPO location. SOURCE: ITU (International Telecom Union) Country Profiles as of 2002 - level of competition survey results.

# Robust Telecommunications: International Network





# GLOBAL 50 INDEX

By Occupation Cost in US\$/SF/Annum

(SOURCE: CB Richard Ellis, Jan 2004)

**"The Philippines has an overcapacity of high-quality real estate space (comparable with Singapore and HongKong)."** **Gartner**

September 2002

**"While demand for office space in Manila has grown substantially along with the wave of call centers and business process outsourcing (BPO) operators setting up operations, its office occupation costs remain amongst the lowest in Asia."**

**CBRE**  
CB RICHARD ELLIS

January 2004

1 London (West End), England	149.17	26 Washington DC (CBD)	47.63
2 Tokyo (Inner Central), Japan	118.07	27 Brussels, Belgium	47.39
3 London (City), England	115.43	28 Boston (CBD)	44.09
4 Tokyo (Outer Central), Japan	105.47	29 Amsterdam, Netherlands	43.85
5 Paris, France	94.40	30 Warsaw, Poland	42.61
6 Birmingham, England	71.92	31 Hong Kong	42.37
7 Dublin, Ireland	69.63	32 Toronto, Canada (CBD)	41.69
8 Milan, Italy	68.26	33 Barcelona, Spain	41.64
9 Edinburgh, Scotland	67.04	34 San Juan, Puerto Rico	39.44
10 Manchester, England	66.60	35 New York -Downtown Manhattan	38.74
11 Moscow, Russia	65.03	36 Taipei, Taiwan	37.61
12 Zurich, Switzerland	63.13	37 Copenhagen, Denmark	37.20
13 Glasgow, Scotland	62.16	38 New Delhi, India	36.72
14 Frankfurt, Germany	60.44	39 Helsinki, Finland	35.99
15 Luxembourg City, Luxembourg	60.15	40 Lisbon, Portugal	35.64
16 Rome, Italy	59.10	41 Berlin, Germany	35.53
17 Mumbai (Bombay), India	56.87	42 Mexico City, Mexico	35.20
18 Geneva, Switzerland	55.71	43 Ottawa, Canada	34.86
19 Munich, Germany	54.30	44 Vienna, Austria	34.70
20 Stockholm, Sweden	52.93	45 Prague, Czech Republic	34.70
21 New York - Midtown Manhattan	52.29	46 Nassau, Bahamas	34.50
22 Seoul, South Korea	52.01	47 Hamburg, Germany	33.67
23 Madrid, Spain	51.37	48 Beijing, China	33.49
24 Sydney, Australia	48.99	49 Ho Chi Minh City, Vietnam	31.57
25 Athens, Greece	48.62	50 Melbourne, Australia	31.00

**MANILA, Philippines**

**10.10**



# *The Philippine Advantage*

## Strong Affinity With West

- **Historical**
- *Educational*
- *Political*
- **Accounting**

Adherence to Generally Accepted Accounting Principles (GAAP) & progressively moving to International Accounting Standards (IASB Guidelines)

- **Legal**
- **Banking & Finance**
- **Entertainment**

## Competitive Investment Incentives

### INVESTMENT INCENTIVES

#### (Domestically Incorporated Firms & Branch Offices)

- 4 to 8 years Income Tax Holiday
- Special 5% tax rate on gross income after the lapse of ITH (for IT Park locators)
- Tax and duty exemption on imported capital equipment (for IT Park locators)
- Unrestricted use of consigned equipment
- Deduction for training expense up to 150%
- Exemption from wharfage dues
- Employment of foreign nationals
- Exemption from 10% input VAT on allowable local purchase of goods and services (e.g., communication charges)

## Competitive Investment Incentives

### INVESTMENT INCENTIVES (Regional Headquarters)

- I. Expatriates
  1. Multiple Entry Visa
  2. Tax & Duty Free Importation of Household Goods & Personal Effects
  3. Travel Tax Exemption
  4. Withholding Tax of Fifteen Percent (15%)

## Competitive Investment Incentives

### INVESTMENT INCENTIVES (Regional Headquarters)

#### II. RHQ/ROHQ

##### 1. Corporate Income Tax

- > RHQ – exempt

- > ROHQ – 10% on taxable income

  - to pay branch profit of ROHQ remits income derived from Philippine resources

##### 2. Tax and Duty Free Importation of Training Materials/Equipment

##### 3. VAT Exempt

- > RHQ – exempt

  - sale or lease of goods and property, and rendition of services to RHQ shall be subject to 0% VAT

## Hospitable Lifestyle

- **Friendly people**
- **Value-for-money housing**
  - *US\$ 722 - 2,706 per Month*  
*(130-306 Sq. Met. 3-BR Semi-furnished Apartment, Makati CBD)<sup>1</sup>*
- **Modern recreational facilities**
- **Availability of first-rate educational institutions and international schools**
  - *British School*
  - *German School*
  - *Mandarin Chinese School*
  - *Japanese Schools*

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<sup>1</sup> — *Philippine Property Market Overview by Colliers International (End 2003 Survey)*  
*(US\$ 1.00 = Php 55.438)*

# Investment Opportunities

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# INVESTMENT OPPORTUNITIES

- **Investment Priorities Plan (IPP)**
  - *Shortlist of sectors identified as preferred areas of investments and given incentives.*
    - **National List** – Export Activities, Mandatory Inclusions (e.g. Ind'l. Tree Plantations, Iron & Steel, Exploration/Mining, Ecological Solid Waste Mgt.), Other Preferred Activities (e.g. Agricultural, Energy, Logistics, Infrastructure, R & D, etc.)
    - **Regional List** – Industry Clusters (as endorsed by Small & Medium Ent. Devt. Council at the provincial level), ARMM List (covering activities w/c have been identified by Regional BOI of the ARMM, e.g. Export Activities, Agri., Cutflower, Shipbuilding & Repair, Feeds Prodn.), Basic Industries (e.g. Pharmaceuticals, Textile, Consumer Manufactures, Infra, Engineering Ind., Tourism



# INVESTMENT OPPORTUNITIES

## ■ Revenue Streams

- *These are sectors chosen for its inherent or proven competitiveness. Vital growth from these sectors expected in the coming years, given specific firm-level and systems intervention by the DTI.*
  - *Construction Materials, Food Products, Electronics, Giftware & Holiday Decor, Home Furnishings, IT Services, Marine Products, Motor Vehicles (including parts & accessories), Organic Material Products, Wearables*
  - *Other Priority Sectors – Fun, Fashion, 3 T's (Telecoms, Transport, Tourism), Logistics, Medical Tourism / Healthcare Services, Education, Medium Cost Housing, Retirement Villages*

# OTHER OPPORTUNITIES ARISING from:

- **The Foreign Investment Act (FIA)**
- **Deregulation of Industries**
  - Airlines, Banking, Shipping, Insurance, Downstream Oil Sector, **Mining, Agri Products**, Steel, Power, Water Utilities, Telecoms (local government projects are abundant)
- **Privatization of Enterprises**
  - 30 GOCCs up for privatization (End 2003)
    - Mactan-Cebu International Airport Authority
    - National Power Corporation (on-going)
    - PNOC-Energy Development Corporation
  - **CONTACT** : Ms. Venus Cajucum – OIC Privatization Officer  
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# SECTORS / INDUSTRIES FOR INVESTMENT PROMOTION TO EUROPE

- **BOT INFRASTRUCTURE Projects** (POWER & Rural Electrification, Telecommunications, Renewable Energy, Logistics)
- **IPP-Listed Environmental Management Projects** (Toxic and Hazardous Waste Management Facilities)
  - ***R.A. 9003 – Ecological Solid Waste Management***
    - ✓ *Recycling/Treatment Facilities with Manufacturing*
    - ✓ *Sanitary Landfill Waste Management Services*
    - ✓ *Support Services*
- **IT & IT-enabled Services** (Call Center, BPO/Shared Services Operation, Engineering Design – Embedded Software, Graphics and Media)
- **Electrical and Electronics machinery & parts**
- **Metals & Metal Processing**
- **Food Processing**
- **Wood-based Products** (Office & Home Furniture, etc.)
- **Chemicals & Pharmaceuticals**

## RA 7718 (BOT Law Scheme)

- Private proponent enters into a contractual arrangement with LGU to undertake any or a combination of the following: construction, financing, operation and maintenance of infra facilities.
- Using different variants to implement infrastructure projects among others:

BOT Variants	Role of Private Proponent	Role of Government
Build-and-Transfer (BT)	<ul style="list-style-type: none"> <li>Finance and constructs the infrastructure facility.</li> <li>Turns over ownership of facility to government after project completion</li> </ul>	<p>Acquires ownership of facility after construction. Compensates project proponent at agreed amortization schedule.</p>
Build-Lease-Transfer (BLT)	<ul style="list-style-type: none"> <li>Finances and constructs facility</li> <li>Turns over project to government after completion under lease arrangement.</li> <li>Turns over ownership of facility to government after lease period.</li> </ul>	<ul style="list-style-type: none"> <li>Compensates proponent for lease of facility at agreed term and schedule.</li> <li>Acquires ownership of facility after lease period</li> </ul>
Build-Operate-Transfer (BOT)	<ul style="list-style-type: none"> <li>Undertakes construction, financing, operation and maintenance of facility for a fixed term.</li> <li>Collects tolls, fees, other charges to recover investments plus profit</li> <li>Transfer ownership of facility after BOT term to contracting government entity.</li> </ul>	<ul style="list-style-type: none"> <li>Provides franchise and regulates activities of BOT contractor.</li> <li>Acquires ownership of facility at the end of BOT term.</li> <li>May opt to share in the profits of the BOT proponent.</li> </ul>
Build-Own-Operate (BOO)	<ul style="list-style-type: none"> <li>Finances, constructs, owns, operates and maintains facility in perpetuity.</li> <li>Collects tolls, fees, other charges to recover investments and profit</li> <li>May assign operation and maintenance of project to a facility operator</li> </ul>	<ul style="list-style-type: none"> <li>Provides authorization and assistance in securing approval of BOO contract.</li> <li>Can opt to buy the output/service provided by the BOO operator.</li> </ul>

BOT Variants	Role of Private Proponent	Role of Government
Build-Transfer-Operate (BTO)	<ul style="list-style-type: none"> <li>■ Finances and constructs facility on a turn-key basis (assumes cost-overrun, delay, specified performance risks)</li> <li>■ Transfers title of facility to implementing agency after commissioning</li> <li>■ Operates the facility for implementing agency under an agreement</li> </ul>	<ul style="list-style-type: none"> <li>■ Assumes ownership of facility after commissioning</li> <li>■ Allows private proponent to get compensation for the following:               <ol style="list-style-type: none"> <li>1. Proponent's investment costs and reasonable return; and</li> <li>2. Operating charges</li> </ol> </li> </ul>

# ***INFRASTRUCTURE and UTILITIES***



# DTI-BOT Center Projects

## ❖ TRANSPORTATION

- NAIA Expressway Project, Manila North Harbor Modernization, LRT Line 1 Extension, MRT Line 4, Metro Manila Expressway (R4 & R5), NLEX (Tarlac to La Union), NLEX (QC to Nueva Ecija)

## ❖ PROPERTY DEVELOPMENT

- SSS Corporate Center, Gen. Santos City Integrated Bus Terminal & Commercial Complex

## ❖ SOCIAL INFRA / HEALTH RELATED

- Research Institute for Tropical Medicine (Vaccine Production), NKTi Pharmacy Project, Cavite Hospital Project

## ❖ ENVIRONMENT & POWER

- MWSS Bulk Water Supply, Davao del Norte Integrated Water Supply System, Metro Cebu Bulk Water Supply System

## ❖ IT - Related

- NDC-Bureau of Customs Container Inspection System, Koronadal City IT Project, Roxas City IT Project, Kidapawan City ICT Project, Cavite City ICT Project

# ***POWER PROJECTS***

# POWER Generation Projects (Indicative)

SOURCE : DOE PPDP 2004-2013 (as of 3Q 2003)

PROJECT	CAPACITY (MW)	Target Commissioning	Remarks
LUZON	(2,245 – 2,645)		
■ <i>MAKBAN Geothermal-3 Rehabilitation</i>	55	2005	-
■ <i>Bacman Optimization</i>	40	2007	-
■ <i>Sucat Conversion</i>	450 – 850	2007	Bidding process – 4Q 2003
■ <i>Limay Expansion 1 (LNG)</i>	250	2007	Bidding process – 4Q 2003
■ <i>Limay Expansion 2 (LNG)</i>	250	2008	-
■ <i>Mariveles Greenfield 1 (LNG)</i>	600	2008	-
■ <i>Mariveles Greenfield 2 (LNG)</i>	600	2009	-
VISAYAS	(207.5)		
■ <i>Panay Diesel PP (Boracay)</i>	7.5	2004	-
■ <i>KEPCO Clean Coal PP (Panay)</i>	100	2005	Under Feasibility Study
■ <i>Southern Leyte Geothermal</i>	100	2008	-
MINDANAO	(827 – 877)		
■ <i>PB 103 and 104 (Transfer from Panay)</i>	64	2004	-
■ <i>Mt. Apo Geothermal Expansion</i>	20	2006	-
■ <i>Tagoloan Hydro</i>	68	2008	-
■ <i>Sultan Kudarat Coal PP</i>	150 – 200	2008 – 2009	-
■ <i>Agus 3 Hydro</i>	225	-	For Bidding
■ <i>Pulangi V</i>	300	-	-

NOTE : Indicative projects refer to those which have no firm financing yet and/or still under feasibility study

# POWER Priority Transmission Projects

SOURCE : DOE PPDP 2004-2013 (as of 3Q 2003)

PROJECT	CAPACITY (MW)	Target Commissioning	Remarks
■ <i>Leyte – Bohol Upgrading</i>	35 To 100	May 2004	Project Approval Signed Oct 2002
■ <i>Leyte – Cebu Upgrading</i>	200 To 400	Dec 2004	Bid out – July 2003
■ <i>Cebu – Mactan</i>	35 To 100	Oct 2005	Bid out – August 2003
■ <i>Cebu – Negros – Panay Upgrading</i>	100 To 200	Dec 2005	FS completed Aug 2003
■ <i>Panay Transmission Backbone Project</i>	-	Dec 2005	FS completed Sept 2003
■ <i>Batangas T-Line Upgrade</i>	-	Dec 2005	-

# ***ENVIRONMENT***

# OPPORTUNITIES IN ENVIRONMENTAL SECTOR

- Inclusion of Environmental Projects in the 2004 Investment Priorities Plan (IPP)
  - Ecological Solid Waste Management under RA 9003
    - Recycling/Treatment Facility integrated with Manufacturing Facility to produce semi-finished/finished product using as inputs at least 50% recycled materials from local or domestic sources.
  - Environmental Services
    - Establishment of Toxic and Hazardous Waste (THW) Merchant Facilities
    - Testing/Measuring Service of Industrial/Institutional Point Sources of Emission & Effluent and Other-related Environmental Parameters for Machinery & Equipment excluding Motor Vehicles
    - Clean Development Mechanism (CDM) Projects – project activities that reduce greenhouse gas emission such as:

# OPPORTUNITIES IN ENVIRONMENTAL SECTOR

- Inclusion of Environmental Projects in the 2004 Investment Priorities Plan (IPP)
  - Environmental Services (continuation...)
    - Clean Development Mechanism (CDM) Projects – project activities that reduce greenhouse gas emission such as:
      - Renewable energy, Energy Efficiency, Fuel Switching, Methane Recovery, Industrial Processes / Changes, Cogeneration, Transport (Mass Transport, Electric and Fuel Cell Vehicles), Agricultural Sector (Methane Reduction in Rice Cultivation), & Sinks (only afforestation and reforestation projects)
    - River System Rehabilitation
      - Pasig River Rehabilitation Commission
      - DENR's Manila Bay Environmental Management Program



# OPPORTUNITIES IN ENVIRONMENTAL SECTOR

- **Environmental Services Industry**
  - Environmental Consultancy and Advisory Services
    - Environmental Impact Assessment (EIA), Environmental Risk Assessment (ERA), Compliance Audit, EMS, Pollution Prevention & Waste Minimization, Site Assessment, Legal Advisory
  - Environmental Engineering Services – planning, management and provision of anti-pollution technologies whose scope includes:
    - Wastewater Treatment, Air Pollution Control, Solid & Hazardous Waste Management
  - Environmental Training
  - Environmental Laboratory and Testing Services
  - Environmental Certification - ISO 14100, Eco-labelling
- **On-going Project with PEZA: ECO-INDUSTRIAL DEV'T. ZONE**

# CASH IN ON THE ENVIRONMENT - INVEST!

*Contact us NOW!*

## ENVIRONMENTAL MGT. PROGRAMME FOR INDUSTRY COMPETITIVENESS

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