

INVESTMENT OPPORTUNITIES IN THE PHILIPPINES



A Presentation by:
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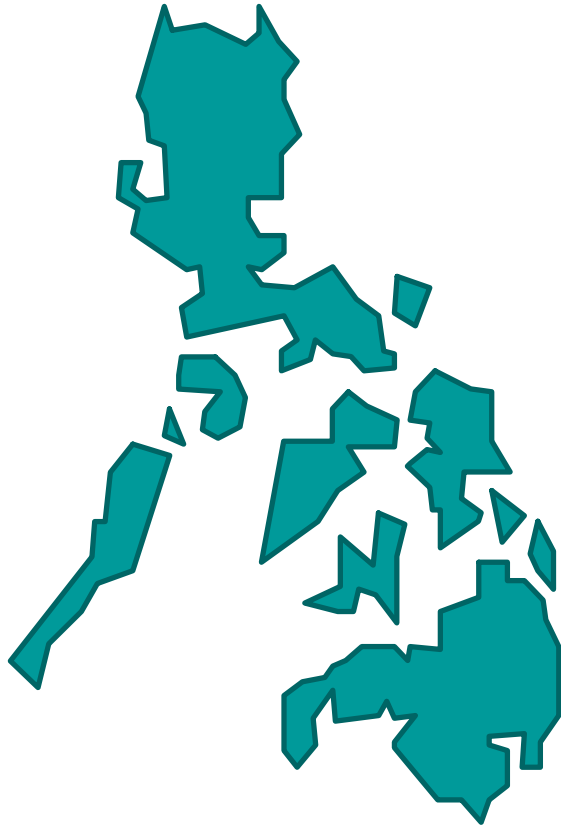
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PRESENTATION OUTLINE

- ❖ The Philippine Economy
- ❖ The Philippine Advantage
- ❖ Investment Opportunities
- ❖ Building the Philippines as an E-Services Hub of Asia
- ❖ Moving Forward

THE PHILIPPINE ECONOMY

Philippines: At a glance



- *Land Area:* 300.000 km²
- *Population:* 80,429,492 (of which 83.76% belongs to 0-44 age groups)
- *Capital City:* Metro Manila
- *Political Structure:* Democratic (Presidential System)
- *National Language:* Filipino
- *Official Language:* English
- *Religion:* 93% Christian Believers of which 83% are Catholic

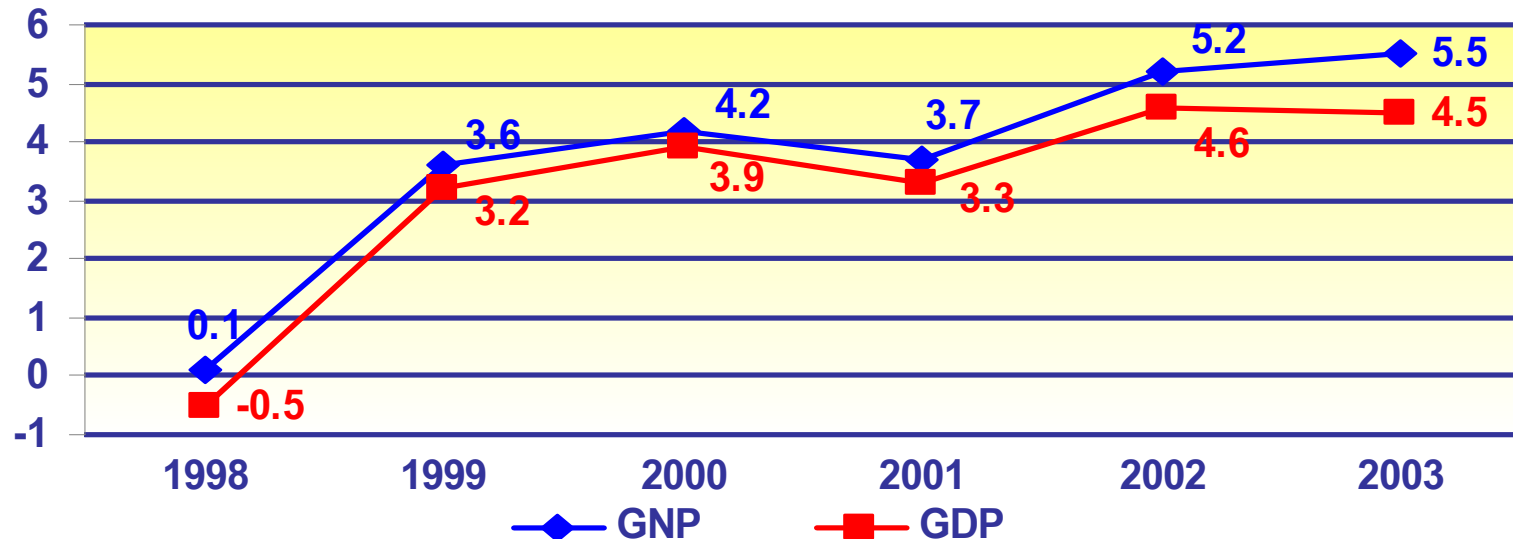
Macroeconomic Performance

- GNP exceeded the government's forecast
- GDP accelerated in 2003 despite numerous threats

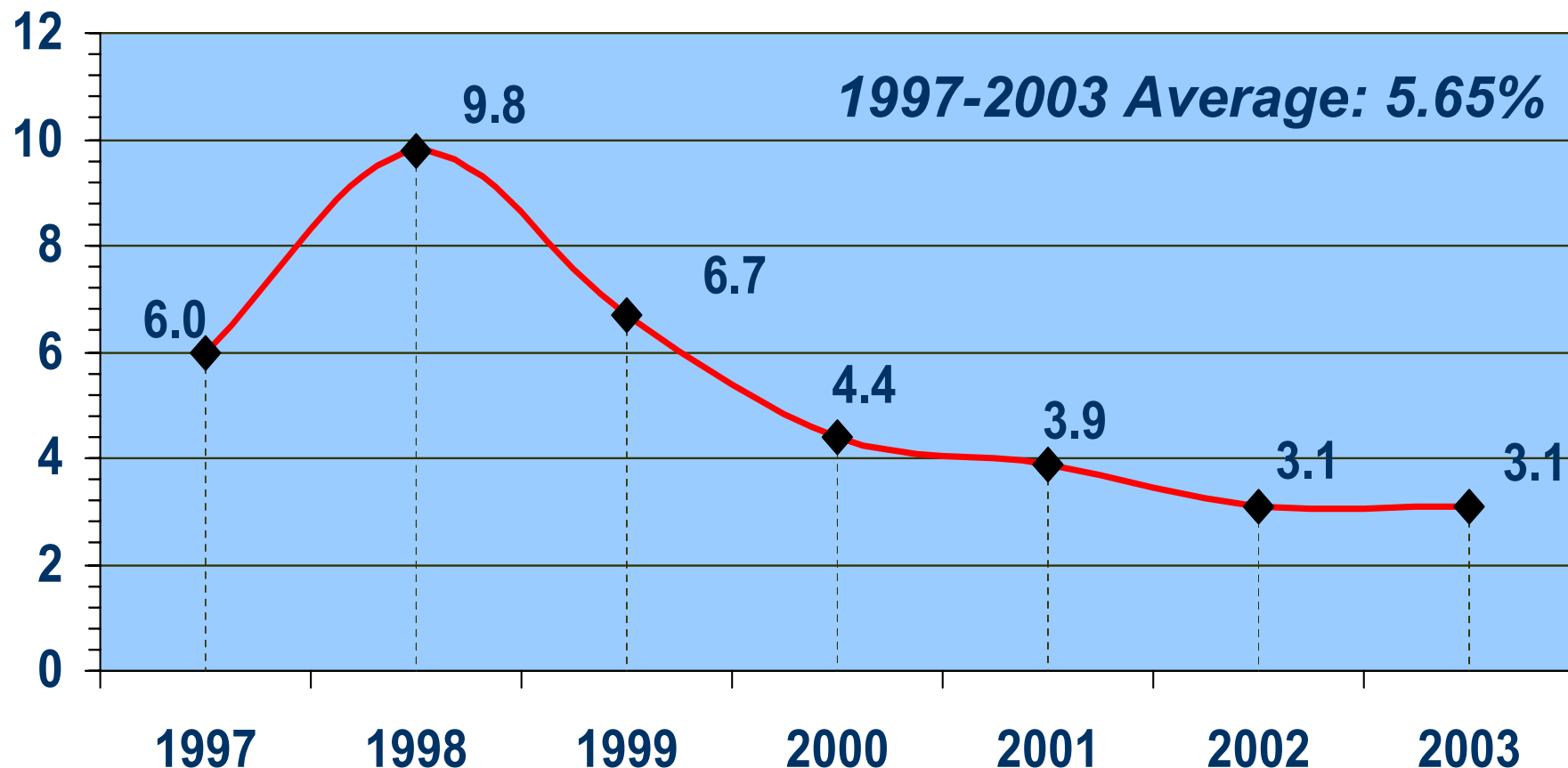
	2002	2003	
		Forecast	Actual
GNP	4.5	4.5 – 5.4	5.5
GDP	4.4	4.2 – 5.2	4.5
NFIA	5.1	9.5	18.9

Source: NEDA

Growth Rates (%)



Inflation Under Control



THE PHILIPPINE ADVANTAGE

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)*
- *3rd 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

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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*
- ❖ *Presence of Dedicated IT Parks Right in the Center of Business Districts*

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
- 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)¹
- **Modern recreational facilities**
- **Availability of first-rate educational institutions and international schools**
 - *British School*
 - *German School*
 - *Mandarin Chinese School*
 - *Japanese Schools*

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

Investment Opportunities

INVESTMENT OPPORTUNITIES

- **Investment Priorities Plan (IPP)**
 - *Export Activities – all industries export processing zones*
 - *Metals and Processing - Iron & Steel*
 - *Exploration/Mining – coal,*
 - *Solid Waste Mgt - Recycling/Treatment Facilities, Sanitary Landfill*
 - *Industries in regional locations – Pharmaceuticals, Textile, Consumer manufacturers, Tourism, etc.*
 - *Other Preferred Industries – Agricultural, Energy, Infrastructure, R&D*
 - *Other industries specifically approved by Board of Investments*

INVESTMENT OPPORTUNITIES

- **Sectors with inherent competitiveness**
 - ***IT and IT enabled services*** (Call Center, BPO/Shared Services Operation, Engineering Design, Graphics and Media)
 - ***Construction Materials Products***
 - ***Food Products***
 - ***Electrical & Electronics Products***
 - ***Motor Vehicles (including parts & accessories)***
 - ***Wooden products (home and office furniture, etc.)***
 - ***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
 - Mactan-Cebu International Airport Authority
 - National Power Corporation (on-going)
 - PNOC-Energy Development Corporation

IT-Enabled Services

Building the Philippines as an e-SERVICES Hub

- **IT & IT-Enabled Services**
 - **Contact Center**
 - **Business Process Outsourcing**
 - **Software Development**
 - **Mobile / Wireless Applications**
 - **Engineering and Design**
 - **Animation**

Call Center Industry

In 2003:

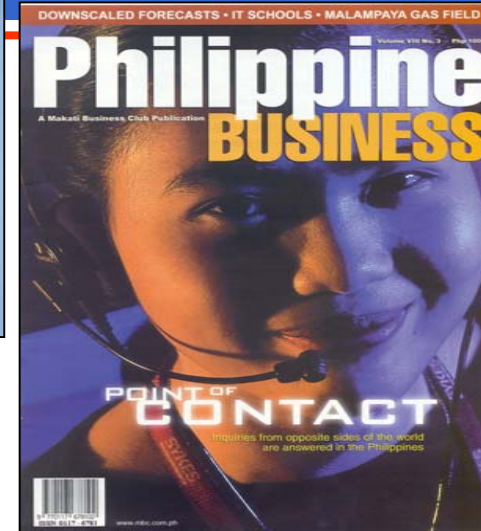
Sites : **50+ call centers**

Total Seats : **20,000**

Total Employees : **30,000**

Total Revenue : **USD 180 – 200 Million**

Projected Growth Rate : **100%**



- **Majority of the top call centers have set up operations over the last two years**
 - Convergys, Teletech, Sykes, ICT, APAC, Six Continents, PeopleSupport, SourceOne
- **Clients handled are Fortune 500 companies**
 - Nokia, Safeway, Intel, Microsoft, Epson, Kodak, Armani Exchange, Expedia

Call Center Industry

Tremendous growth of call centers due to confluence of factors

<i>Year</i>	<i># of Seats</i>
2000	1,000
2001	3,500
2002	7,500
2003	20,000
Est 2004	40,000

The BPO Industry

“The Philippines poised to be a global player in the BPO space.” IDC

- **Business processes outsourced to the Philippines**

- **Financial / Accounting** - *General accounting & bookkeeping services, Accounts maintenance, Accounts receivable collection, Invoice & accounts payable administration, Claims processing(pre-need industry), Expense and revenue reporting, Payroll (including overtime tracking), Asset management/accounting, Financial analysis and auditing, Management advisory services, Inventory control & purchasing, Tax reporting & other financial-related services (financial leasing, credit cards, factoring and stock brokering)*
- **HR** – *Payroll Processing, Benefits Administration, Compensation Planning, Travel & Expense Management, Expatriate & Relocation Services, HR Data Management, Stock Options Administration, Employee Interface Services, Learning Systems Administration, HR Application Dev't. & Management*
- **Other Business Processes** – *Data Entry/Data Processing (e.g. policy registration/ amendment, scanning, indexing), Pre-need accreditation, Inventory Control, Technology Support, Server Management, Litigation support, Scholarly publishing, Content conversion*

BPO Players & Services (Captive)

AIG

Insurance Claims Processing

Alitalia

General and Passenger Accounting

(Credit Card Ticketing Functions, Auditing, Ticket Stocks / Inventory Functions)

Asiana Airlines

Revenue Accounting

Caltex (Chevron Texaco)

Finance and accounting support

Canon

R & D on computer hardware design

Cypress Semiconductors

Payroll, Fixed Assets, Accounts Payable, Cost Accounting

Fluor Daniel

Engineering and design services

**Maersk (formerly
Sealand)**

Finance and Accounting Services

MBK Data (Mitsui)

Credit Rating Analysis

MOVING FORWARD

Moving Forward – IT Services

Sustaining Growth and Quality Service

■ Benchmarks and standards

- Standards for basic competencies developed with industry & TESDA (customer services, representative level 2, telesales/marketing level 3)
- Awards and recognition programs being developed

Moving Forward

➤ Education/Training

- English strengthened in basic education per President's instruction
- Presence of call center academies
- Elective course in Advanced Communication for International Business (focus on call center) on pilot run SY Oct. 2003-2004. For roll-out in other universities in SY June 2004-2005

■ Building Other Hubs

- Data generation/build-up on-going
- Project on labor profiling/sourcing under discussion

➤ Establish a BPO Association

Thank You!

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