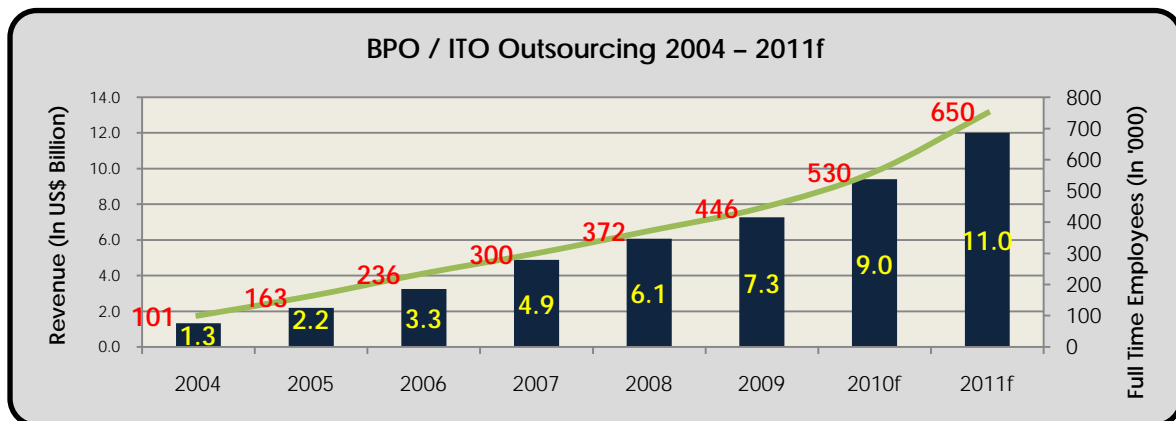


Introduction

The Philippines leaped further forward in 2010 by attracting niche back-office and higher value Knowledge Process Outsourcing jobs. KPO poured into financial services, HR, IT, Management services, Engineering, including jobs outsourced to established BPO companies like Accenture, IBM, JP Morgan, ANZ, HP, HSBC, Shell, etc.

Within the last decade, the Philippines established itself as one of the top destinations globally for outsourcing & offshoring, second only to India. The industry now evolving to higher value non-voice BPO functions with relatively high competence and maturity in Finance & Accounting and Transcription services. 2007 to 2008 marked the turning point which saw remarkable growth in the back office and KPO with more than two-fold growth in revenues from \$400 million to \$830 million. There was a noticeable spike in research, analytics and legal services.

For 2010, the industry attained \$9.0 billion revenues and 530,000 full-time employees as locators reported as much as 50% revenue growth expansion in a survey of members of the Business Processing Association of the Philippines (BPAP).



The US remains the prime source of outsource work although Europe and Japan are also major suppliers. This is attested by the recognition given to the Philippines by the National Outsourcing Association of the UK as Offshoring Destination of the Year for 2007, 2009 and 2010.

The Philippine IT/BPO industry has a wide breadth of competencies in the following services:

- ✓ Sales and Customer Support (Call centers, Help Desk, Sales)
- ✓ Business Process Outsourcing (Finance and Accounting, HR, Payroll)
- ✓ Software Development (Product Development, Bespoke Projects, embedded SW, Project Management, Quality Assurance)
- ✓ IT Services (BC/DR, Web Hosting, Network Management)
- ✓ Transcription (Medical, Legal, Publishing, Data Transformation, Film Subtitling)
- ✓ Games Development
- ✓ Engineering Design
- ✓ Animation
- ✓ Knowledge Process Outsourcing (Marketing Research, Legal Case Research and Preparation, Medical Research, Insurance, Mortgage)

Market Opportunity

- Everest calculates that 2012 offshore BPO market addressable prospect of **US\$220-280B**
 - As much as 90 percent will be in non-voice BPO services.

- Philippines now as the second largest low-cost BPO destination after India, owing to unprecedented escalation in voice-based BPO services
 - Both countries account for 50 percent of the offshore BPO market in revenue terms

Philippine Advantage

- ✓ Strong customer service orientation
 - Client relate that Filipinos answer the phone with a smile
 - ✓ 3rd largest English speaking country in the world
 - ✓ Neutral accent, acceptable to US & UK customers
 - ✓ Multi-cultural adaptability i.e., Western and Oriental
 - ✓ Strong government support (Fiscal and Non-fiscal incentives)
 - ✓ World-class telecommunications and abundant real-estate in major urban areas
 - ✓ Diverse choices of suitable locations
 - ✓ High degree of trainability and loyalty
 - ✓ Generally low attrition rates
 - ✓ Familiarity with Western systems and processes (GAAP, Legal, etc.)
 - ✓ Strong Government – Private Sector Partnership
- While 480,000 graduates per annum are dwarfed by India's 3,000,000, the talent pool in the Philippines is much bigger than Egypt, Argentina, South Africa and Mexico
 - Manila NCR is No. 4 global outsourcing city after Bangalore, Delhi (NCR) and Mumbai
 - Manila NCR is among top established global outsourcing cities for contact centers in English, F&A, legal services, animation/game development, and HR

Capacity

Telecommunications

- Completely deregulated industry
- International connectivity and expanding multi-media infrastructure
 - FOBN, wireless (CDMA, GSM, WAP, GPRS, 3G, wireless broadband), radio and VSAT
 - 24x7x365 support operation
 - Short lead time in provisioning international leased circuits: 30-45 days
 - Four Cable landing stations with two more in the pipeline
- Cost of bandwidth down by at least 85% in the last 5 years
 - From US\$ 14,000 in 2001 to today's rates of US\$ 2,000 per month for E1 lines to USA and US\$3,000 to the U.K.
- Telco network capable of handling volumes of data transmitted through redundant international broadband cable at 250 Gbps

Tier 2 and 3 cities

- Accelerated development of "Next Wave Cities" accommodates expansion and supply fresh talent. Potential to support large IT-BPO Operations, as follows:
 - Super cities >15,000 = BPO workers
 - Large cities = 10,000–15,000
 - Mid-sized cities = 5,000–10,000
 - 20+ cities = <5,000 FTEs each

<ul style="list-style-type: none"> • Cities that rank high include Davao, Bacolod, Cavite Iloilo, Sta. Rosa, and Bulacan • Cebu And Clark are now considered “Centers of Excellence” in outsourcing alongside Manila • Cebu City is the No. 1 Emerging Global Outsourcing City for 2009 as ranked by Tholons • Davao & Iloilo cited by KPMG in Exploring Global Frontiers – The Emerging Destinations (2009) • Locations outside Manila now host major expansion operations of Accenture, JP Morgan, Wipro, IBM, Convergys, TeleTech, Sitel, Stream Global (eTelecare), Sutherland, and Sykes 	TOP 10 NEXT WAVE CITIES 2010	
	Davao	
	Santo Rosa	
	Bacolod	
	Iloilo City	
	Metro Cavite (Bacoor, Dasmariñas, Imus)	
	Lipa	
	Cagayan de Oro	
	Malolos	
	Baguio	
	Dumaguete	
		CITIES IN WAITING
	Dagupan	
	Legaspi	
Metro Subic		
Metro Naga		
General Santos		
Source of Data: BPAP/CICT/DTI Task Force		

Government Support

Enabling laws/policies

- 2011 Investment Priorities Plan provide fiscal and non-fiscal incentives to IT/BPO services
- Allocation of training/scholarship funds for IT/BPO (TESDA)
- Data Privacy and Protection are priority bills in Congress

Incentives

Fiscal

- 4 to 8 years Income Tax Holiday (ITH);
- Special 5% tax rate on gross income after the lapse of ITH (for IT Park/Eco-zone locators);
- Tax and duty exemption on imported capital equipment (for IT Park/Eco-zone locators); Duty-free importation of capital equipment (for BOI-registered firms under E.O. 528);
- Exemption from 12% input VAT on allowable local purchase of goods and services, e.g., communication charges (for IT Park/Eco-zone locators);
- Additional deduction for labor expense;

Non-fiscal

- Unrestricted use of consigned equipment;
- Exemption from wharfage dues and export tax, duty, impost and fees;
- Employment of foreign nationals;
- Special Visas for investors

Costs of Doing Business

- **Salary Rates for BPO workers**

Position	Description	Average Monthly Salary (In Pesos)*
ACCOUNTING		
Financial Clerk	6+ months exp., some college	10,000 - 12,000
Financial Analyst	0-2 years experience, univ. graduate	15,000-18,000
Financial Accountant	3-5 years experience, univ./master's graduate	18,000-25,000
Financial Supervisor	4-7+ years experience, univ. graduate	25,000-30,000
INFORMATION TECHNOLOGY		
IT/Oracle Support Analyst	2-5 years experience, some college	30,000-50,000

IT/Oracle Technician	4-6 years experience, univ. graduate	25,000-40,000
IT/Oracle Administrator	5-7+ Years experience, univ./master's graduate	60,000-80,000
OTHER SUPPORT		
Human Resources Administrator	3-5 years experience, univ. graduate	20,000-30,000
Legal Counsel	5-7+ years experience, univ./master's graduate	80,000-120,000
Regulatory Affairs Consultant	5-7+ years experience, univ./master's graduate	50,000-80,000
Supply Chain Manager	3-5 years experience, univ. graduate	50,000-80,000
Chemist	3-7 years experience, univ./master's graduate	15,000-25,000
Operations/Office/Shared Services Manager	5+ years experience, univ. graduate	110,000-160,000
Operations/Office Administrator	3-5 years experience, some college	120,000-180,000
Operations/Office Clerk	0-2 years experience, secondary / some college	12,000-15,000
* for Metropolitan Areas only Source: Manpower Philippines		

- **Supply**

The Makati CBD office stock remains at 2.7 million sq. m. with no new completions expected before the 57,000 sq.m. Zuellig building on Makati Avenue in early 2012. Currently around 50% of Metro Manila's office stock is located in Makati.

In response to the continued expansion of demand from the BPO industry developers are ramping up their construction pipelines and new supply in 2011 is forecast at 280,000 sq.m. Nearly half of this is located in Fort Bonifacio where notable buildings completing in 2011 include Trade & Financial Tower, Sunlife Center, Science Technohub 1 & 2 and the Bench Tower.

- **Rents**

Makati CBD rental rates continued to increase in Q4 2010 as landlords experienced stronger pricing power. Premium grade office rents now average P810 per sq. m. monthly (per net useable area) compared to P665 per sq.m. monthly for Grade A buildings.

FORECAST NEW OFFICE SUPPLY				
LOCATION	END 2010	2011	2012	2013
MAKATI CBD	2,699,696		57,353	76,681
ORTIGAS	1,141,018		27,786	
FORT BONIFACIO	485,693	129,763	115,805	99,397
EASTWOOD	252,979	39,840	36,765	
ALABANG	234,305	27,701		
OTHERS*	685,362	81,0007		23,000
TOTAL	4,499,053	278,311	236,709	199,078

Contacts

Board of Investments

Assistant Secretary **FELICITAS AGONCILLO-REYES**

Investments Promotion Group

385 Sen. Gil J. Puyat Avenue, Makati City 1200

G/F, Industry and Investments Building

Tel. No. (+632) 896-9212

Fax No. (+632) 897-2181

E-mail Address: FAgoncilloReyes@boi.gov.ph