



Key ICT Information:

- ⇒ Telecommunications industry deregulated in 1987 after over 70 years under a private monopoly.
- ⇒ By 2001, teledensity at 10.91 per 100 people, a 900 % jump from 1993.
- ⇒ In 1993, government implemented Service Area Scheme, which required installation within three years of 300,000 land lines by new international gateway facility operators, 400,000 land lines by new cellular licencees and 700,000 land lines by firms with both cellular and gateway licences.
- ⇒ 6,634,934 land lines installed nationwide by 2002. Three million are actually subscribed, due in part to high upfront costs and growing preference for cellular mobile phones.
- ⇒ Number of cellular mobile users soared dramatically, from 959,024 in 1996 to over six million in 2000.
- ⇒ Currently, the estimated 12 million Filipinos with cellular phones send an average of 130-150 million text messages a day using short messaging service (SMS).
- ⇒ The Philippines' 240 text messages per subscriber per month is significantly higher than Hong Kong's 4 text messages.

**ISSUE FOCUS: PRIORITY INDUSTRY SECTORS—BUSINESS PROCESS OUTSOURCING (BPO) AND INFORMATION AND COMMUNICATIONS TECHNOLOGY ICT(PART 3 OF 3)**

MAINTAINING A COMPETITIVE EDGE IN BPO AND ICT

2007 was truly a banner year for the Philippines and the Arroyo Administration, particularly for the Business Process Outsourcing (BPO) sector. President Gloria Macapagal Arroyo, while traveling through Switzerland culminating in Davos for the World Economic Forum, said that the Philippines is ranked among the most attractive off-shoring destinations in the world, mainly because of cost competitiveness and more importantly the Philippines' highly-trainable, English-proficient, IT-enabled quality manpower. This says it all why the Philippines is a major player in this field and is second only to India in cornering the outsourcing market.



President Gloria Macapagal-Arroyo views a customer service representative (mock call) after inaugurating the Advance Contact Solutions, Inc., in Araneta Center, Quezon City, October 31, 2007.

**Maintaining the Competitive Edge**

But the Philippines is not just sitting on its laurels. Acutely aware that China is fast-becoming a rising star in the outsourcing industry, mainly for its sheer size, the Philippine Government is actively pursuing an agenda that would keep the Filipinos' competitive edge over China and India. In October 2006, President Arroyo signed Presidential Executive Order No. 571 creating the National Competitiveness Council (NCC), a Public-Private Task Force on Philippine Competitiveness, to address the improvement of the country's competitiveness to ensure its world ranking through 2010.

The council, co-chaired by Trade and Industry Secretary Peter Favila for the public sector and Ambassador Cesar Bautista for the private sector, will focus on six areas expected to improve the country's competitiveness, namely: 1) Developing Competitive Human Resources; 2) Instituting Efficient Public and Private Sector Management; 3) Creating Effective

Access to Financing; 4) Improving Transaction Cost and Flows; 5) Providing Seamless Infrastructure Network; and 6) Developing Energy Cost Competitiveness and Self-Sufficiency.

**In partnership with Key Sectors**

The NCC was created to identify problem areas

that otherwise repel foreign investors from the Philippines and find solutions to these problems that will package the Philippines as an attractive investment destination. Soliciting the cooperation of almost every major

Government agency and private corporations and working closely with every foreign and local chambers of commerce, and various industry associations, the Government has managed to maintain the Philippines standing in the BPO industry. Also working closely with the NCC are the Anti-Red Tape Task Force and the Philippine Development Forum Development in the implementation of short- and long-term goals. Through the NCC, the Philippines will continue to be a provider of world-class outsourcing facilities and manpower.

After only a brief 14 months into its existence, the NCC's work is beginning to pay off. President Arroyo reports that quite recently, the European Chamber of Commerce and Industry together with the American, Japanese and Korean Chambers of Commerce have endorsed the Philippine strengths in the BPO area by forming a coalition to promote the Philippines as a healthcare destination for foreigners.

**Upbeat on Prospects**

International analysts and industry leaders are almost unanimous and up-beat on the prospects for the Philippines in the BPO scene. The McKinsey Global Institute, in a recent study states, "The Philippines has emerged as a strong player in the rapidly evolving off-shoring industry, competing successfully with India and other low-wage destinations in creating value. The Philippines' combination of rock-bottom costs and a desirable labor pool is helping

*... technology aside, the key differentiator of the Philippines (most commentators would still say) lies in the people themselves and a cultural predisposition for service provision and customer care that is now sorely lacking in many western markets.*

David Kinnear  
President and CEO of DDC HRO  
(DDC is a provider and enabler of onshore offshore data processing and human capital BPO solutions)

to propel the country to prominence as an off-shoring location."

A BNP Paribas S.A. study reported that Philippines' BPO industry, which was valued at \$173 million in 2002, would grow into a \$10 billion industry by 2012.

MAINTAINING A COMPETITIVE EDGE . . .

**Expanding Range of Services**

The Philippine Government is making great strides in ensuring that the BPO sector continues to be one of the main drivers of the Philippine economy. The country has also now set its sights on other sectors of the BPO industry, which has expanded not only geographically but also beyond call centers and IT to include a range of professional and business processes, including accounting, human resources, financial analysis, design engineering, animation, medical services,

legal services, insurance processes, banking processes, map making, publishing, content creation, and research. With a high-quality and English-proficient workforce, an advanced and cost-effective telecommunications network and infrastructure and clear regulatory system that safeguards intellectual property rights and enforces data security and privacy laws, the Philippines remains the top choice among a growing number of foreign companies seeking off-shoring services.



President Gloria Macapagal-Arroyo with TeleTech Holdings Inc. (TeleTech) Vice President and General Manager Maulik Parekh during a tour of the facilities of the company's newest business process outsourcing center which she inaugurated in Dumaguete City on 19 February 2007.

*The Philippines is ranked #1 in the availability of knowledge-based jobs and workers worldwide, and ranked 4th among Asian nations in terms of labor quality.*

Survey conducted by the U.S. based Meta Group

*The revenue of the Philippines BPO in 2007 posted at \$5 billion, from \$3.5 billion in 2006.*

Philippine Department of Trade and Industry  
2007 Annual Report

*Philippine's Business Process outsourcing sector is booming right through the roof. The growth rate projected by the sector is indeed amazing. Last year the industry grew by 137 per cent or 2.5 billion dollars in revenues. During the same year, the industry saw a 53 per cent increase in the BPO workforce or 81, 000 new jobs generated.*

The Outsourcing Times  
2007

*The Philippines is truly developing as a global player in the offshoring marketplace. Its attractiveness as a destination of stems from a combination of important offshoring fundamentals alongside some highly valuable offshoring 'extras'.*

UK National Outsourcing Association on giving the Best Outsourcing Practice Ward to the Philippines , 2007



Ambassador Willy C. Gaa  
FROM THE CORNER OF  
BATAAN AND MASSACHUSETTS

This issue is the last in a three-part series in the EMBASSY UPDATES on the priority economic sectors of the Philippine Government.

In this issue we focus on Business Processes Outsourcing (BPOs) and Information Communication Technology (ICT). Earlier UPDATES covered developments in Energy and Mining, and on Tourism and Infrastructure.

Analysts believe that the Philippine outsourcing sector has the potential to grow 40% per year from 2007 until 2010, which would put it on track to double its global market share to 10% in three years.

In revenue terms, this means the Philippine outsourcing sector would grow four-fold into a

US\$13 billion industry, creating some 900,000 jobs.

Tax incentives, investment opportunities, simplified application processes, and the de-regulation of the Philippine telecommunication industry led to dramatic investments in the ICT infrastructure, making the country second only to India as a preferred BPO destination. Some would argue that the BPO sector help launch the rebound of the Philippine economy in a post-1997 South-east Asia.

Metro Manila has been highly promoted premier investment destination for BPOs and ICT ventures. As a result more than 80 call centers have been established in ICT zones in Quezon City (Eastwood Industrial City), Muntinlupa (Westgate Techno Park), Taguig City (Fort Bonifacio Development Center), and the Makati Business District.

This success has also led to the development of similar centers in the former Clark Air Base and Subic Naval Base. Caltex, Procter & Gamble, Barnes and Noble, among others, have built large-scale service centers in the Philippines.

Customer Service call centers for United Airlines, US Airways, among others, have likewise set-up in the Philippines.

Today, call centers are operational in almost every major city in the Philippines – from Baguio City in the north to Davao in the south. Cebu City is the second largest call center area in the Philippines, which is also considered the IT-hub of the country, realizing President Arroyo's vision of a super high-tech, ICT corridor in Central Philippines.

Many graduates from the top universities in Manila possessed fluency in the English language – a necessary pre-requisite, and a lucrative start to a career offering highly competitive salaries.

The preponderance of these call centers in the Philippines is mainly due to the following:

- Large pool of information technology professionals and a cost-competitive telecoms infrastructure;
- Tremendous source of talent, mainly because of a literacy rate of 94%;
- Western-influenced culture, a unique trait that clearly distinguishes the country from other offshore destinations; and
- Strong customer orientation.

I am confident that the Filipino will stand out and shine in these fields and become industry leaders.

Office of the Ambassador  
Embassy of the Philippines  
1600 Massachusetts Ave NW  
Washington DC 20036  
Tel 202-4679363  
Fax 202-4679417  
phembassyusa@verizon.net  
www.philippineembassy-usa.org