

**World Report**

29 SEPTEMBER 2007

# The **Philippines**

**Moving in  
the right direction**



**COVER ILLUSTRATION:**  
Manila, high-rise capital of the Philippines

## CONTENTS

- 04 REAL ESTATE**  
Developers rejoice at property boom

---

- 06 SERVICES**  
Call centres lead the fastest growing sector

---

- 09 ENERGY**  
Developing alternatives to costly oil imports

---

- 11 TOURISM**  
Aiming for 5 million visitors a year by 2010

### THE PHILIPPINES PROJECT TEAM:

**Project Director:**  
Louis de Fouchier

**Project Coordinator:**  
María Subinas

**Project Assistant:**  
Holaina Oblifias

This supplement was produced for The Independent by World Report International Ltd, who are solely responsible for the content. World Report International Ltd is not connected or associated with any company registered in the United Kingdom bearing the same or similar name.

### FOR MORE INFORMATION CONTACT:

World Report International Ltd,  
2 Old Brompton Road, South Kensington, London SW7 3DQ  
Tel: +44 20 76296213

This report can also be read online:  
[www.worldreport-ind.com/philippines](http://www.worldreport-ind.com/philippines)

29 SEPTEMBER 2007



Photo: Jason Tan

# On the path to prosperity

The population of the Philippines has doubled to 91 million in the past 50 years, necessitating President Arroyo's plan to create 10 million new jobs by 2010

The district of Tondo in northwest Manila is one of the most densely overcrowded places in the world. The 400,000 Filipinos who live there occupy an area of just over two square miles – itself part of a greater metropolitan zone, that throngs with 16 million people during the working day.

Over the last half-century, the population of the Philippines has been doubled to 91 million by the highest birth rate in Asia. 40 per cent of Filipino citizens live on less than two dollars a day. Many – more than eight million, or almost a tenth of the population – have been driven to work abroad. The economy depends heavily on the money they send home; remittances from overseas workers amount to as much as 13 per cent of gross domestic product.

Some forecasters say the population could double again over the next three decades. But, according to the archipelago nation's president, Gloria Macapagal Arroyo, the Philippines is moving towards becoming a much more prosperous place well before then.

Elected to a six-year period in office in 2004, Ms Arroyo has three years left to achieve the basic goals of her national development plan up to 2010. Her objectives include the creation of 10 million jobs, balancing the budget, widening education provision, building a modern transport and digital infrastructure, and extending power and water supply. She believes the Philippines will become a First World country over the next 20 years. "By 2010, we should be well on

The archipelago nation aims to achieve First World status by the end of the next decade. President Gloria Arroyo has three years left to help it on its way to becoming a wealthy country

our way to achieving that vision," she says.

The keys to success will be foreign investment and a higher, and sustainable, level of growth. The president believes that massive devolution of development from national to regional level will break down bureaucratic barriers and bring about a quantum leap in investments and jobs. Her strategy is to prime the economy by forging four super regions, each focused on its own particular economic strength.

North Luzon and Mindanao are envisaged as agri-business centres, Metro Luzon as an emerging commercial centre, and the central Philippines as the country's tourism hub. A cyber corridor will link all four, incorporating information and communications technology centres and the business process outsourcing industry (BPO), the fastest growing sector of the economy.

Funding is earmarked to come from additional tax revenues, but private sector participation in developing the infrastructure and transportation systems is also essential.

The response from the international investor community has been positive. Last year saw

incoming foreign direct investment almost double to \$2.3 billion. Most of it came from the United States, Japan, Singapore, South Korea and the British Virgin Islands.

Central bank governor Amando Tetangco expects investor interest to continue, given the improvement in macroeconomic fundamentals under Ms Arroyo and "stable" ratings from credit rating agencies.

Further initiatives are needed to make the country more investor friendly, but what it offers is a huge domestic market, a highly trainable, low-cost English-speaking workforce and a liberalised economy that allows foreign investors to participate in nearly all aspects of business. This gives the country huge potential in areas ranging from energy, infrastructure, and IT to manufacturing, mining and tourism.

The Philippines must compete with its neighbours for its share of the increasing inflows of FDI into the ASEAN region. Once its potential is unleashed it could emerge as a regional leader and be on the way to achieving its president's dream of First World status.

# Reforms boost investor confidence and growth

The Philippine economy is growing at its fastest rate for 17 years, boosted by a record level of remittances, electronics exports, the call centre industry and domestic consumption. In the first quarter of this year, gross domestic product increased by 6.9 per cent, while the interest rate fell to an all-time low of 2.9 per cent. Last year, GDP rose by 5.4 per cent – above 5 per cent for the third consecutive year.

Together with fiscal reforms, sustained growth and declining inflation have strengthened market confidence and raised the country's competitiveness as a destination for foreign investment. In the first four months of the year, investments approved by the Department of Trade and Industry rose by 194 per cent to 73.3 billion pesos (£79 million).

There has also been a significant increase in employment and the creation of new jobs. According to the National Statistics Office, the unemployment rate dropped in April to 7.4 per cent, or 2.7 million unemployed, from 8.2 per cent the previous year. Underemployment, which affects a further 6.4 million Filipinos was also down, to 18.9 per cent, from 25.4 per cent.

Fiscal consolidation has been a priority and the government succeeded in reducing the national deficit from a historic peak of 5.4 per cent of GDP in 2002 to just 1.1 per cent in 2006. President Arroyo's reform programme has involved prudence in government spending and moves to improve tax collection. There have been efforts to improve efficiency, cut red tape and eliminate corruption.

A landmark development was the in-

crease in the value-added tax (VAT) rate from 10 per cent to 12 per cent and the broadening of the VAT base. "The biggest economic driver is the extended VAT," says Rolando Andaya, Secretary of the Department of Budget and Management. "After that was implemented everything followed. The stock market gained confidence when they saw that we were serious about putting this into effect."

The need to cut debt has to be balanced with the need to spend in order to spur further investment and job creation. Last year, expenditure on vital infrastructure was limited when the government was forced to reenact the 2005 budget. This year, spending on infrastructure has been increased by 75 billion pesos, while a further 134.7 billion pesos is being directed towards improving the education system.

According to Mr Andaya, there are plans to spend 527 billion pesos on infrastructure over the next four years. He says it is essential to prioritise areas such as transportation, irrigation and energy to stimulate growth. "The aim of the government is to have a balanced budget by next year, but everything that can be spent on infrastructure this year will be spent." Education and health services are other priorities.

Finance Secretary Margarito Teves says he is confident of meeting this year's deficit target of 63 billion pesos, despite an underperformance in revenues of 52 billion pesos in the first six months of the year. He says tax collection will be intensified and any shortfall will be covered by the proceeds from planned sales of state assets during the second half of the year. ●



**ROLANDO ANDAYA**

Secretary of the Department of Budget & Management

## Bourse breaks all records

One of the clearest signs of confidence in the economy at home and abroad has been the exuberant performance of the Philippine Stock Exchange. Stocks posted their fastest growth rate in 13 years last year. Net foreign buying almost tripled and total market capitalisation of listed companies reached an all-time high.

Similar, if not even better, results are expected this year. In July, the index went above 3,800 points, breaking through the previous all-time high of 3,447.60 points set in 1997, just prior to the Asian economic crisis. In the first

half of the year, listed companies raised almost 46 billion pesos, a 78 per cent increase compared to the same period in 2006. A further boost to the market is expected in the second half of the year with the launch of a number of big initial public offerings (IPOs).

The government expects to raise around 105 billion pesos from privatisations, including the sale of state holdings in San Miguel, the country's largest beverage and food firm, power utility Manila Electric and PNOC-EDC, the geothermal subsidiary of Philippines National Oil Company.

# Message



Warmest greetings to everyone!

The Philippines is now on its way to realize its vision of a more progressive and peaceful nation. Despite daunting challenges, the Philippines has managed to make monumental strides in pushing its economy forward.

We entered the present year with a strong economy. Because of the Expanded Value Added Tax (E-VAT) and proper fiscal monitoring and management, we are set to attain a balanced budget in 2008. This year, our P1.126 trillion budget has more allocations for the further improvement of our educational system, public works, and transportation facilities.

The continued strengthening of the Philippine peso and the surge in the stock market share prices show that foreign investors are bullish about our economy. Foreign investors have acknowledged our government's hard-won advances in the fiscal consolidation, economic growth, and political stability.

Our objective now is to bring the benefits of a strong economy to every Filipino as we put in place the infrastructures needed to attract more investments, create more jobs and defeat poverty. Given the vibrancy of our economy, we are very optimistic in achieving a 7- to 8- percent growth rate in the next three years.

My deepest appreciation goes to the British community for considering the Philippines as one of the most viable investment destinations in this part of the world. Thank you for joining my administration in our efforts to uplift the lives of the Filipino people and to succeed in our ultimate goal of having a strong, stable, and prosperous Philippine Republic.

Mabuhay!

*Gloria Arroyo*

## TEN-POINT AGENDA TO "BEAT THE ODDS" IN SIX YEARS UNDER THE ARROYO ADMINISTRATION

*"BEAT THE ODDS – this will be our battle cry and agenda for the next six years"*

*--President Gloria Macapagal-Arroyo*

### What it stands for:

- B** - Balanced budget
- E** - Education for all
- A** - Automated elections
- T** - Transport and digital infrastructure to connect the country
- T** - Terminate the MILF and NPA conflicts
- H** - Heal the wounds of EDSA
- E** - Electricity and water for all barangays
- O** - Opportunities for 10 million jobs
- D** - Decongest Metro Manila
- S** - Develop Clark and Subic

# Thinking big in a booming market

**Already** a colossus in the Philippines' real estate market, leading developer Megaworld has plans for massive new investment over the next decade

**W**hen it comes to thinking big in the real estate sector, no other company in the Philippines thinks bigger than the appropriately named Megaworld Corporation. Founded and directed by its Chairman and President, Andrew Tan, Megaworld is the country's largest developer of residential condominiums and its biggest landlord to business process outsourcing operations.

Mr Tan, whose knack for spotting and catering for future trends has made Megaworld the success story it is today, foresees good times ahead. "The property market is on the verge of an unprecedented boom that will last five or six years," he says.

And he believes his company will maintain its position at the forefront of the sector, even in an increasingly competitive environment. "Megaworld will experience unparalleled growth in the balance of this decade as it continues to lead the way in the key growth sectors in residential and BPO office developments," he predicts.

With annual investment of 47 billion pesos (£504 million) planned for its expansion over the next 10 years, Megaworld is one of the leading investors in the country. This year alone, it plans to spend a massive 16 billion pesos on residential, BPO and retail developments in six mega-community projects in Metro



Comprising 20 towers, Manhattan Garden City is the country's largest condominium project

Manila, the metropolitan area that contains the capital of the Philippines and 16 neighbouring cities.

In a period of less than 20 years, Megaworld has developed and completed 50 residential, office and commercial projects. Last year, it registered record profits of 2.04 billion pesos – a 76 per cent increase on its 2005 results. The company's major projects include McKinley Hill and Forbestown Centre in Fort Bonifacio, Taguig City, the Newport City Development in Pasay City and the Cityplace development in Binondo, Manila.

The 16-hectare Eastwood City is Megaworld's flagship development, and has transformed Libis in Quezon City into a dynamic urban centre. Combining residences, workplaces and commercial centres, it will eventually feature 18 high rise towers.

The development includes Eastwood City Cyberpark, the first IT park in the Philippines, and is home to the country's largest BPO community. In February,

Megaworld launched Eastwood LeGrand, a luxury residential development. In April construction started on the mixed-use 27-storey Global One Centre, specifically designed to accommodate business process outsourcing operations as well as residences.

"The fully masterplanned Eastwood City will include top shopping and dining facilities, enabling BPO workers to relax and work better," comments Mr Tan.

With demand for office space expanding at the same rate as for residential, Megaworld plans to build one or two office towers in its prime development areas every year. Megaworld has a commitment to build more than 500,000 square metres of BPO office space within the next 5 years, of which around 230,000 square metres are under construction.

The McKinley Hill Cyberpark, which has been declared a special economic zone, will provide a total of 200,000 square metres of high-tech office space for BPO and IT firms.



**ANDREW TAN**  
Chairman and President of Megaworld

The 50-hectare McKinley Hill mega-community project is expected to generate about 60 billion pesos in investments. The development will include single detached homes in a Mediterranean-style village, townhouses, a mid rise condominium, BPO offices, high rise luxury residences, embassies, international schools and a college, mall, sports amenities, events venue, retail and a hotel.

One of the first institutions to move there will be the British Embassy. "We are committed to making McKinley Hill the most modern, beautiful and vibrant new township in the country today," says Mr Tan.

Meanwhile, Megaworld's Manhattan Garden City, a five-hectare joint venture with the Arenta Group, is transforming the Arenta Centre in Cubao, Quezon. The single largest residential condominium development in the country, it will eventually comprise 20 residential towers and is the country's only transit-oriented development, featuring direct connection to the metro. At least three hectares of the site will be reserved for resort-inspired amenities such as swimming pools, gardens and landscaping.

Megaworld was recently ranked by FinanceAsia as the number one Philippine company in its Best-managed Asian Companies Survey in 2007. The company was placed first in three categories: Best-managed Company, Most Committed to Corporate Governance and Best Investor Relations.







Recently Megaworld has been turning its attention to the tourism sector, forming a 1 billion pesos (£10.7 million) company, Megaworld Resort Estates, to engage in the development of hotels, leisure parks and other tourism-related projects.

It has also signed an agreement with another firm, Fil-Estate Land, for the development of a resort community in Laurel, Batangas. The project, dubbed Twin Lakes, will be a residential resort community built on about 731 hectares of land, and is expected to generate 40 billion pesos over seven years.

## MAKING A GIANT MARK ON METRO MANILA'S LANDSCAPE

Through a series of mega-projects that host homes, workplaces and commercial hubs in one integrated setting, MEGAWORLD CORPORATION is changing the way Filipinos live, work and play in Metro Manila.

**MEGAWORLD CORPORATION**  
The Philippines' Largest Residential Condominium and BPO Office Developer  
www.megaworldcorp.com  
ISO 9001:2000 CERTIFIED

# High rise living changes the landscape

**D**riving the boom in the upmarket housing segment of the real estate sector are overseas Filipino workers (OFWs) and BPO professionals. Those who left the country to make their fortune 20 or 30 years ago are now looking to come back to retire, or buying property as second homes and investments. Meanwhile, high-earning outsourcing professionals are looking for conveniently located, quality homes adjacent to leisure and lifestyle amenities.

Condominiums are springing up in all the major provinces and cities. Rental and purchase prices are rising, and vacancy rates falling. From luxury to affordable, units and suites in new high-rises are being snapped up before they are even built. Demand is being boosted by the availability of advantageous local mortgage deals.

Brittany Corporation has built a reputation as an innovative developer and purveyor of designer luxury homes in masterplanned themed communities. Its flagship developments, Portofino, Crosswinds and Brittany Bay, are inspired by the San Franciscan, Swiss or Tuscan architecture that OFWs may well have grown to appreciate during their travels abroad.

More recently, however, the company has been applying its flair for aesthetics and detail to vertical as well as horizontal development by entering the highly competitive world of high rise condominium development.

At 30-storeys, Brittany's Mosaic development, located in the premier central business district of Makati, will be the first designer condominium in the country, a 5-billion pesos (£53.5 million) investment over

**The spread of affluence** has led to a construction boom in community developments combining quality homes with modern lifestyle amenities



Luxury homes are in demand by high-earning Filipinos at home and abroad

the next two years. Primarily residential, the condominium will also include a mix of commercial establishments to service the needs of its residents.

"It will be the first true designer condo in the country and the first high-end condo that applies the concept of centrality, where units within the condominium are sensitively and sensibly planned with specific segments in mind," says Benjamarie Serrano, Brittany's President. "Not only have we poised ourselves to enter the vertical seg-

ment, we have also conditioned the company structure for growth and expansion with this move."

Other vertical developments being undertaken by Brittany include the 38-storey Avant at the Fort, in Bonifacio Global City, and the San Francisco-inspired Marfori Residences, comprising five 10-22 storey towers, in Brittany Bay.

Another planned community developer bringing its skills to condominium projects is Crown Asia Properties. The country's

biggest homebuilder, Crown Asia were the pioneers of master planned communities in the Philippines. Over the last 10 years the company has developed more than 30 major projects, based on Italian and American styles. More than 20,000 families live in its properties. In 2006 the firm won the Gold Trusted Brand Award for Property Developer in the Philippines.

"We are first and foremost a marketing company. We know our buyers very well and we try to find solutions to their needs," says Jerry Navarete, Crown Asia's President and CEO. "We put every detail in our developments to make each project like a masterpiece, a work of art."

One of its most ambitious ongoing developments is Crown Presidio at Brittany Bay, a self-contained complex of 16 condominium towers in neo-Victorian style, complemented by landscaped gardens, commercial establishments and a village centre housing leisure amenities. Another high rise development is a condominium in Manila's university belt, just a walk away from the country's renowned centres of learning.

According to Mr Navarete, the company will continue to seek a broader market through opening new projects and offering a more diversified range of housing, as well as through expansion of its network to reach Filipinos living abroad. ●

## INTERVIEW

### 'This is an unprecedented phase that could last beyond 2010'



Benjamarie Serrano, President of Brittany Corporation, gives her view of the real estate market

#### Why is the market booming and do you expect it to last?

Philippine real estate has enjoyed its best time for the last two years, with the industry doubling its figures in 2006. With the improved peso-dollar rate, lower inflation and lower interest rates, and favourable economic forecasts, real estate will continue to grow. We are seeing the fastest economic expansion for a decade and the market is growing with it, driven by an increase in demand, both locally and from Filipinos overseas.

This is an unprecedented phase that could

last up to 2010 and beyond. Demand for residences has increased as buyers seek better access to key business districts and enhancement of their chosen lifestyle. These needs are being addressed by the increasing number of new product offerings, like affordable condominium buildings. Housing has enjoyed consistent growth, given the demands of Filipinos looking for either their first home or an investment.

The tremendous growth posted by the BPO sector has not only raised demand for more office spaces, but also for commercial spaces, such as malls and lifestyle centres.

New and aggressive financing schemes are also driving growth. The increase in players will benefit buyers, as they are able to make the best choices in the market.

#### How is Brittany Corporation benefiting from the growth in the OFW market?

From the beginning, we have been very strong in the overseas Filipino market – long before other developers. We go to different countries to pro-

mote our brand and our product. Word of mouth marketing has helped, as we already have a lot of overseas Filipino clients. Now, with the rapid rise in remittances, and with the current boom in the real estate sector, it is relatively easy for us to tap into that market, as we are already a known brand.

#### How would you define a master planned community development?

It all starts with a developer's vision to integrate a community with the components necessary to provide a higher quality of life for its residents.

Aside from the residential component, which could either be horizontal or vertical, master planned communities provide lifestyle amenities, commercial developments, places of worship, schools, business establishments, road networks and even open spaces.

**Pictured right:** Brittany Corporation's Avant condominium in Bonifacio Global City



# One million call centre workers by 2010

Could the Philippines double its current impressive share of the \$139 billion (£68.3 billion) global business process outsourcing market to 10 per cent by 2010? That's the target being mooted as the leaders of the country's fastest growing sector consider what might be achieved over the next few years.

Companies from the United States, Europe and Japan are increasingly looking to the archipelago as the destination of choice for offshore services. The Philippine call centre business is the fastest growing in the world, and catching up fast with the number one provider, India. The industry is growing at a rate of 40 per cent per year, while annual growth in India is 23 per cent.

The Philippine BPO sector aims to generate \$5 billion this year, compared to \$3.6 billion in 2006. The Business Processing Association of the Philippines

**Catching up fast with its nearest competitor India, the Philippines expects to employ one million people in business process outsourcing within three years**

(BPA/P), predicts that annual revenues are on course to rise to \$12 billion, or about 10 per cent of the country's GDP, by 2010, while the number of jobs could top one million. "This is a sunrise industry, and it's still very early in the morning," says Alfredo Ayala, BPA/P's Chairman.

The sector has become the fastest growing in the Philippine economy. In 2000, it provided employment for 8,000 people. Today's figure is 400,000, and industry watchers expect to see the high-

est growth rate this year in terms of call centre seat numbers.

Office space for BPO operations is at a premium in Manila, and is helping to fuel the property boom. Office rents in the business district of Makati increased by 15-20 per cent last year, and are continuing to rise. Other areas in Metro Manila are following suit. New operations are starting up wherever sufficient space is available. Cebu, the second city, is fast becoming another BPO hub. But

call centres are no longer confined to the business and financial districts. They are spreading to regional locations such as Bacolod, Baguio, Cagayan de Oro, Cebu, Davao, Dumaguete, Iloilo and Pangasinan – all being developed as BPO centres.

Only India has profited more from the trend for foreign companies to outsource business functions to cheaper locations. Companies that have made the Philippines their preferred destination include some of the world's biggest names, including AIG, Chevron, Dell, HSBC, Intel, Motorola, Procter & Gamble and Siemens.

The largest source for BPO and contact centre services for the Philippines is the United States, which accounts for 60 per cent of spending in the global market. The main attractions of the archipelago for outsourcing include the high quality telecommunications infrastruc-

## CEMENT INDUSTRY

# Meeting rising demand

Demand for cement dropped in the Philippines after the 1997 Asian financial crisis and in the last four years it has been either flat or slightly down. Since the start of the year, however, it has been rising as new infrastructure projects get under way and growth continues in the housing and commercial property market.

"It is the first time in the last 10 years that the government will be implementing such vast projects in such a very short period of time," says Ian Thackwray, Chief Operating Officer of Holcim Philippines (HPHI), the country's leading cement manufacturer. "It is the beginning of what should be a sustained period of growth, because we have not yet seen the full scope that the projects could bring." He cites optimism in the economy, liquidity and low interest rates as other driving factors.

The change is reflected in HPHI's own bottom line. Increased sales pushed up the firm's first quarter net profit by 174 per cent year-on-year to 475.9 million pesos (\$10.3 million). Net sales for the period rose 18.9 per cent to 4.15 billion pesos (\$89.5 million) as domestic demand for cement grew by 14 per cent.

According to Mr Thackwray, the industry as a whole has plenty of capacity to support infrastructure development for the coming years. "Overall, we can meet the demand in both the short and medium term. Longer term, we need to continue improving our profitability in order to afford new kiln investments," he says.

HPHI's own operating capacity is currently around 6.5 million tons, but another 1.4 million tons can be brought on stream as needed and further improvement can be made

by upgrading equipment. Part of the international Holcim Group, which has invested substantially in the Philippines, the company has four plants and employs around 1,350 people. Sales last year amounted to 14 billion pesos (\$300 million).

Mr Thackwray rejects suggestions that cement products in the Philippines are overpriced. "Despite the perception that prices are high, they are mid-range for the region, and still not high enough to reinvest and build new capacities," he says. HPHI itself made returns of 5 per cent and 7 per cent for 2005 and 2006 respectively – "a long way below an appropriate return on assets."

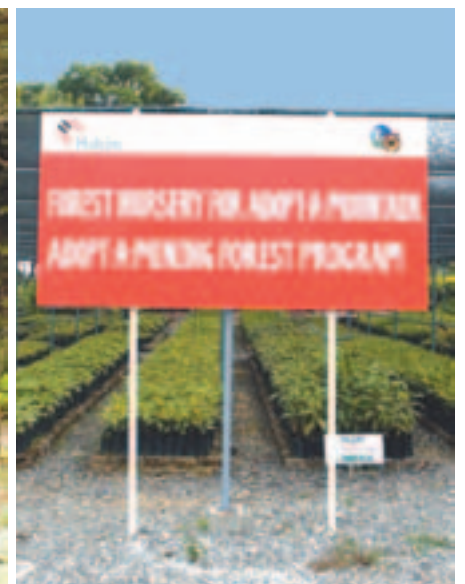
Last year, the company sold 3.42 million tons in the domestic market, and exported 872,760 tons of cement and clinker to Asia, the Pacific and Africa. Holcim has consistently received awards for its environmentally-friendly performance, especially in quarry rehabilitation for its operation of a continuous emissions monitoring system. In February it

joined forces with the World Conservation Union to work on ecosystem conservation and biodiversity issues relevant to the building materials industry. As part of its CO2 reduction efforts, it has a public-private partnership with GTZ (the German Corporation for International Cooperation) to co-process waste in a cement kiln as alternative fuels and raw materials.

For the future, HPHI has two main aims: to continue to improve its manufacturing performance and to expand the business. Competition, says Mr Thackwray, is not only about product. "It's also about being more cost effective and having a market approach that is more responsive to customer needs."



**IAN THACKWRAY**  
Chief Operating Officer of Holcim, Philippines



**Pocket forests** such as this one in Lugait are a result of progressive reforestation of mined areas in all Holcim plants in the Philippines



## MINING AWARDS

### LA UNION PLANT

Certificate of Recognition as Best Partner in the Mining Industry  
PMIEA Selection Committee Platinum Achievement Award  
PMIEA Selection Committee Titanium Achievement Award  
Likas Yaman Award (Best Partner in the Mining Industry)  
PMIEA Selection Committee Titanium Achievement Award

### DATES

2004  
2004  
2005  
2006  
2006

### BULACAN PLANT

Best Mining Forest Award

### DATES

2003-2004

### LUGAIT PLANT

BEST MINING FOREST AWARD 2005  
BEST MINING FOREST AWARD 2006  
PMIEA 2005 TITANIUM AWARD  
PMIEA 2006 PLATINUM AWARD

### DATES

19/11/05  
17/11/06  
19/11/05  
17/11/06

### DAVAO PLANT

PMIEA 2005 TITANIUM AWARD

### DATES

2005

### PMIEA (Presidential Mineral Industry Environmental Award)

Note: Holcim Ltd. was acknowledged as "the leader in the industry" in the Dow Jones Sustainability Index 2005 & 2006



**Call centres** in the Philippines represent the fastest growing sector and 10% of GDP

ture, low-cost wages and a fast-learning workforce. A high proportion of the population speaks English – the Philippines is the third largest English-speaking country in the world, after the US and the UK. Also, Filipinos communicate in a similar way to Europeans and Americans and adapt easily to using a neutral accent, unlike their Indian counterparts.

Studies have shown that the profit-after-tax margin for a call centre located in the Philippines is typically between 20 per cent and 25 per cent. In the United States or Europe, the margin is typically between 5 per cent and 10 per cent. Staff turnover at Philippine call centres is also much lower than in India.



**ALFREDO AYALA**  
Chairman of the Business Processing Association of the Philippines

“The Philippines is uniquely positioned to provide not just cost savings but a very high level of quality, both in analytics and technical competence,” says Mr Ayala. “More importantly, Filipinos are very warm and customer service-oriented. All these things are linked to our culture and it brings a tangible advantage for the customer.”

With the Philippines’ strength in contact centres well-established, the focus is shifting towards growing the higher value-added services, including accounting,

legal, human resources and administrative services, animation, medical transcription and software development.

The government has given strong support to the industry, encouraging foreign investment with tax incentives, customs perks and a favourable labour policy. It also cooperates closely with industry groups such as the BPA/P, Contact Centre Association of the Philippines (CCAP), Medical Transcription Industry in the Philippines (MTIAPI), Philippine Software Industry Association (PSIA), and the Animation Council of the Philippines (ACPI).

BPA/A and CCAP have been working with McKinsey and Company on a roadmap to take the industry forward to its goals for 2010. This will include a strategy for recruiting at least 300,000 call centre professionals over the next three years. With no slackening off of demand for services, the need for workers in the industry continues to grow rapidly. Local companies are hiring about 1,000 agents a month as new centres start up and existing ones seek to expand, and new training centres are being established. ●

## Niche market potential

The fastest growing sector in the Philippines’ business outsourcing industry is not call centres – it’s medical transcription. MT generated revenues totalling \$75 million last year, and over the next five years the industry is predicted to grow by up to 90 per cent per year.

Most of the business comes from the United States, where there is a growing demand for transcription of medical reports, discharge summaries, chart notes and hospital and clinic reports, but a shortage of qualified medical transcribers to satisfy it.

The Philippines is filling the gap by providing a low-cost and, most importantly, high quality service. Many of its MT operatives

have medical backgrounds and are familiar with US medical standards, terminology and practices. Using the latest software and equipment from the US, and operating 24 hours a day, they are able to transcribe 1,000 lines per day with an accuracy rate of 98-99 per cent.

The growth rate for MT is expected to exceed 1,600 per cent up to 2010, and the number of employees to rise to 122,000. Other promising niche areas in the BPO industry include legal transcription, subtitling, billing and coding. By 2010, call centre agents may comprise only a third of all BPO workers, from the present two-thirds.

## UNMATCHED VISTAS.



Brittany



Crown Asia



Camella Homes and Communities



Communities Philippines

## UNMATCHED EXPERTISE.

**Brittany Corporation:** acknowledged as the most innovative compared to four other leading high-end real estate developers in a study conducted by PSRC Research International in 2006.

**Crown Asia:** voted by the readers of Reader’s Digest as one of the most trusted brands in the Philippine Property Sector for years 2006 and 2007.

**Camella Homes and Communities:** the most preferred brand among the B&C socio-economic class in a study by PSRC Research International.

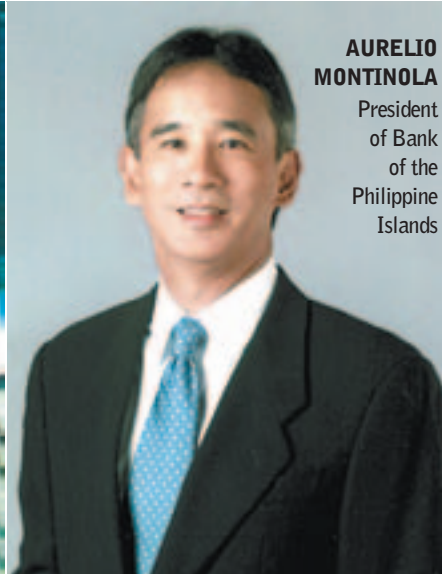
**Communities Philippines:** the expert in turning the countryside into a landscape of sought-after communities.

See how VISTA LAND, the largest homebuilder in the Philippines, offers unmatched returns on your investment.

VISTA LAND  
& LIFESCAPES INC.

Visit [www.vistaland.com.ph](http://www.vistaland.com.ph)

**A reputation** for stability and trustworthiness strengthens BPI's appeal to OFWs



**AURELIO MONTINOLA**  
President  
of Bank  
of the  
Philippine  
Islands

**BPI** is one of the largest and most profitable banks in the country, operating under an ethos of customer focus and support for Filipinos across the globe

Founded in the middle of the nineteenth century, BPI is the oldest bank in the Philippines. Today, it is one of the country's largest in terms of assets and has the highest market capitalisation. Mr Montinola points out that "The symbol for BPI is a rock," – referring to the bank's culture as one of the key drivers of its success.

With the Ayala Corporation, a respected conglomerate in the Philippines, and DBS Bank as its major shareholders, BPI is the industry leader in corporate banking, consumer banking, asset management and overseas remittance. Its network of more than 800 branches and kiosk units, and 1,400 ATMs, is the largest in the country for any single banking institution and serves around three million depositors. It is also consistently the most profitable of the Filipino banks. In 2006, it reported profits of 9 billion pesos (£97 million), 7.5 per cent higher than 2005. This year, overall lending is expected to increase by at least 8 per cent, with growth rates of 10-15 per cent for lending to consumers and SMEs.

While the bank prefers to grow organically, much of its expanded strength is due to a series of mergers and acquisitions over the past decade – the biggest and most strategic with the Far East Bank and Trust Company in 2000, and most recently with Prudential Bank in 2005.

Together with stability and tradition, BPI has also established a reputation for innovation, pioneering services such as automated teller machines, cashless shopping, banking kiosks and internet and telephone banking that the country's other banks have followed.

The bank actively pursues strategies to differentiate itself and sustain its leadership and is developing lending to consumers and small and medium-sized enterprises. "We are constantly evolving," says Mr Montinola. "We have upgraded our branches and we are investing in microfinancing and mobile banking.

"It's not just about lending money," he adds. "Whether it be microfinance or SMEs, we can help out in capacity building and technology assistance. We want to be known for being customer-oriented, as well as trustworthy and reliable. If you focus on people, the business results will follow." ●

## Capturing market share through trust and innovation

Rising by around 20 per cent per year, the total amount of money sent home by the eight million overseas Filipino workers (OFWs) is expected this year to reach a record \$14.7 billion (£7.2 billion). For the banks and financial services providers back home in the mother country, it represents a huge and growing market and they are eager to enlarge their share of it.

On past performance with the overseas Filipino market, around \$3 billion of the total remittances in 2006 was handled by

the Bank of the Philippine Islands (BPI), which serves around 500,000 OFWs through its outposts in the United States, Italy, the United Kingdom, Spain and Hong Kong and through alliances with foreign agents and institutions all over the world. For two straight years, the central bank of the Philippines has cited BPI as the number one bank in the Philippines for volume of OFW remittances. The bank also expects to see up to 40 per cent growth in housing loans to OFWs this year.

The Bank of the Philippine Islands

(Europe) will engage in current account, savings and time deposit taking, personal loans, credit cards and remittance business, serving the large Filipino community living in the UK – numbering around 150,000.

In the longer term, it is intended as a bridgehead. "We see London as an opportunity to branch out into the European Union. It's a first step," says Aurelio Montinola, BPI's President.

A big advantage for the bank in its appeal to OFWs is its long established reputation for stability and trustworthiness.

**BPI goes farther... all the way to London!**

BPI, the Philippines' oldest bank has opened its doors in Europe, taking its world-class service further. Wherever you are, BPI will be ready to go the distance to serve you better. We are glad to serve you and you can easily reach us at:

Bank of the Philippine Islands (Europe) PLC  
Offices at:  
a. 4th Floor, 28/29 Threadneedle Street,  
London EC2R 8AY U.K.  
b. 11 Kenway Road, Earl's Court,  
London SW5 0RP U.K.

Tel. Nos.: +44 207 8350088, +44 207 3730030  
Fax No.: +44 207 3731848  
E-mail: bpinoy@bpieuropeplc.com

**BPI**  
We'll take you farther.

# Oil costs fuel drive to use alternatives

Currently importing around 100 million barrels of oil per year, the Philippines is seeking ways of reducing its fuel bill. Last year the cost of oil imports rose to \$6.8 billion – a 20 per cent increase, despite a slight reduction in consumption.

The government wants to achieve 60 per cent self-sufficiency in energy by 2010. Thus far, indigenous fuels account for around 50 per cent of the total energy mix. Conservation is being encouraged along with the increased use of natural gas and alternative energy sources.

The largest source of natural gas in the Philippines is located about 50 miles northwest of the island of Palawan. The state-run Philippine National Oil Company (PNOC) has a 10 per cent stake in the \$4.5 billion (£2.21 billion) Malampaya deepwater natural gas project through its oil and exploration subsidiary, PNOC-EC.

Led by Shell Philippines Exploration and Chevron Texaco, each with a 45 per cent share, the project supplies three gas-fired turbine power plants on Luzon Island, designed to generate a total of 2,700 megawatts of electricity. Last year, total daily production from Malampaya averaged 296 million cubic feet of natural gas and 14,000 barrels of condensate.

There are plans to raise around \$500 million from selling an almost 60 per cent stake in PNOC-EDC before the end of 2007. The money will be used to fund domestic and overseas exploration. Various domestic oil and gas exploration sites are being looked at, particularly in Mindoro and Palawan, and projects in West Africa, the Middle East, Brunei, East Timor and Indonesia are also being investigated.

"Our main concern right now is to find new sources for oil and gas for the country," says Pedro Aquino, PNOC's President and CEO, emphasising at the same time that PNOC is "a total energy company" also involved in power generation and alternative energy.

Mr Aquino is pushing hard for PNOC

**As the price** of imported oil continues to soar, the Philippines is developing alternative sources of energy in pursuit of greater self-sufficiency



**PNOC-EDC** is the largest producer of geothermal energy, supplying 12 power plants

and its subsidiaries to be transferred entirely to the private sector to enable it to become more competitive. "In order to compete globally, PNOC has to get out of the hands of the government. As a 100 per cent government-owned corporation its budget and plans have to be submitted to congress for approval and it is subject to bureaucracy. I am trying to get PNOC and all its companies privatised and independent within three years time."

Privatisation is in line with the government's efforts to get private investors to put funds into the energy sector. The



**PEDRO AQUINO**  
President and CEO  
of PNOC



**PAUL AQUINO**  
President and CEO  
of PNOC-EDC

hugely successful initial public offering last December of 40 per cent of PNOC's geothermal arm, PNOC Energy Development Corporation (PNOC-EDC), raised 16.7 billion pesos (£1.8 billion). This was followed in July with a secondary offering that reduces the government's stake from 60 per cent to 47 per cent, ending its control of the company. A further 40 per cent stake is likely to be offloaded onto the market within the year.

As a producer of geothermal energy, the Philippines is second only to the United States and is on course to surpass it. "In the next two years it is predicted that the

Philippines will be ahead of the US as the leading geothermal producer in the world," says Mr Aquino.

PNOC-EDC is the country's largest geothermal producer and the acknowledged global leader in wet steamfield technology. The company accounts for about 60 per cent of the country's total installed geothermal energy capacity, supplying fuel to 12 power plants. One out of every eight households gets its electricity from the firm.

As a privatised company, PNOC-EDC will have greater flexibility in fast tracking projects. There are plans for a 330 to 380 MW expansion programme that involves expanding its four existing geothermal fields and developing new fields over the next 3-8 years.

New opportunities in the renewable energy market are also being explored by PNOC. This year, for example, it will be spending 1.35 billion pesos on the first phase of a wind farm project in Ilocos Norte, expected to be completed by the first quarter of 2009.

"Our goal is not only to make the company profitable but the country profitable as well, and to make the Filipino proud," says Paul Aquino, PNOC-EDC's President and CEO. "We have grown in leaps and bounds since the 1970s when the energy crisis came in. We grew almost to a thousand megawatts in only 10 years and that made us number two right away. In five to ten years, I would hope we will be at the 1,500 megawatt level."

PNOC-EDC is considered a green company because its production is more environmentally friendly than that of coal-fired plants. "When coal-fired plants are used, they produce a lot of CO<sub>2</sub>, and a lot of warming effect happens, with all the environmental hazards that go along with it," says Dr Aquino. "We don't fire any coal to get the steam. We get it from the ground."

"During the night when the consumption is low, we have to let the steam out into the atmosphere. It then comes down as rain and the surrounding areas around our plants become very green." ●

[www.energy.com.ph](http://www.energy.com.ph)

**PNOC**  
The Energy Company  
**ENERGY DEVELOPMENT CORPORATION**

**THE PHILIPPINES' ENERGY COMPANY**

**WE ARE THE PHILIPPINE NATIONAL OIL COMPANY (PNOC) AND WE ARE INTO OIL AND GAS, GEOTHERMAL ENERGY, COAL, ALTERNATIVE FUELS AND RENEWABLE ENERGIES SUCH AS SOLAR, WIND AND HYDROPOWER.**

PNOC Bldg., Energy Center, Merritt Road, Fort Bonifacio, Tagig City, Philippines  
Tel: (632) 812.6209 [www.pnoc.com.ph](http://www.pnoc.com.ph)

**PNOC**  
The Energy Company

**NATIONAL POWER CORPORATION**  
1961 • 1936 • 1938

**NATIONAL POWER CORPORATION**

**YOUR PARTNER**  
BEYOND POWER GENERATION

- We nurture young minds
- We help communities
- We care for the environment
- We harness the power of nature
- We promote the use of renewable energy
- We work 24/7
- We transform the Filipino Dream to reality
- We power the country
- We empower our people

[www.napocor.gov.ph](http://www.napocor.gov.ph)



**Power generator** Napocor is continuing to optimise profitability and efficiency at its plants

## Efficiency hike at NPC power plants

**Napocor** is at the forefront of electrical supply, with privatisation set to increase capacity

**D**ozens of state-owned power plants are being lined up for sale as the government renews its drive to privatise the power industry. At the top of the list is the 600 MW coal-fired Masinloc power plant northwest of Manila, one of the most profitable facilities operated by the National Power Corporation (Napocor), the country's primary generator of electricity. Also due to be auctioned off is a 25-year licence to run the national grid, TransCo.

The state privatisation agency, Power Sector Assets and Liabilities Management Corporation (PSALM), hopes to sell 50 per cent of Napocor's capacity to the private sector by the end of this year, rising to 70 per cent next year. So far eight plants have been sold, accounting for 11 per cent of capacity. Napocor has achieved a remarkable financial turnaround in the last three years. Having been in the red since the late 1990s, and closing 2004 with a net loss of 29.9 billion pesos (£3.2 billion), the company returned to profitability in 2005 with a net income of 86 billion pesos, the highest in its 70-year existence.

"We put in place all the fundamentals for sustainable recovery and set performance targets for each power plant, including non-operations and functional groups," says Cyril del Callar, Napocor's President. He says the company is continuing to optimise plant

operations to further improve profitability and enhance reliability and efficiency.

Cost-cutting measures include reducing the use of oil and coal to run the company's power plants and using cheaper fuel like hydro, geothermal and natural gas. "We are concentrating on the business of generating power by running the most cost efficient and cheapest power plants that we have in the country."

Napocor has benefited considerably from the strength of the peso, realising huge savings on loan repayments, as well as on the import of fuel for its power plants. The company posted foreign exchange gains of 78.74 billion pesos for 2005 and 68.74 billion pesos for 2006. Mr Del Cellar says the gains

are being passed on to customers in reduced charges.

Napocor's attractiveness to potential bidders is also likely to be boosted by a recent deal to sell 15 per cent more power to Manila Electric Company (Meralco) over the next five years.

Electrification of rural areas has progressed considerably under the Arroyo administration, with more than 95 per cent of barangays, or local government areas, energised by the end of the first quarter of this year. The gov-

ernment hopes that all barangays will have been energised by 2008.

For those parts of the country still awaiting connection to the main grid, Napocor provides an electric power service under its missionary electrification programme. "Areas not connected to the main power grids are provided with electricity, even if they are not yet commercially viable," explains Mr Del Callar.

"What we want is to jumpstart economic activity in these areas in the hope that they will become viable for investments. The provision of a reliable and efficient electric power service is a start." ●



**CYRIL DEL CALLAR**  
President of Napocor

# A perfect alternative to the beaten track

**As tourism trends** veer towards diverse locations that offer variety and adventure, the Philippines has the perfect blend to meet demand

**T**he Philippines is the number one destination in South East Asia for holidaying newlyweds, but the national tourism industry has been enjoying a honeymoon period for several years.

Visitor numbers to the Philippines have grown at an average rate of 14 per cent annually over the last three years, double the 7 per cent increase projected for the Asia-Pacific region by United Nations World Tourism Organization, and a more marked increase than in any of its fellow ASEAN countries. In 2006 alone, and in spite of trav-

el warnings issued in the wake of El Niño's unsolicited visit, arrivals topped 2.8 million. The Department of Tourism has targeted a total of 5 million tourists per annum by 2010, which at the present rate of growth is eminently achievable. The widespread use of both English and Spanish is a considerable advantage in attracting diverse visitors.

"Tourism is the fastest growing industry in the world," explains Joseph Durano, Secretary of the Department of Tourism. "It is not a competition industry – no one country can take all the visitors, and tourists

are constantly on the lookout for new destinations. The Asian market is the fastest growing in the world, so our challenge is not to outcompete our neighbours, but to consolidate our share."

And the Philippines has the charms to ensure success. Endowed with unequalled natural beauty and a population famed across the world for its warmth and openness, the 7,107 islands of the Philippine archipelago are a treasure trove for a broad spectrum of tourists. A coastline twice the length of that of the United States and adorned with postcard-perfect beaches – including the world famous White Beach on Boracay – has earned the Philippines the moniker of Beach Capital of the World. A diver's paradise, the Department of



**JOSEPH DURANO**  
Secretary of the  
Department of  
Tourism

Tourism is keen to promote ecotourism – a sage approach in a country that benefits hugely from its biodiversity and its unique flora and fauna – and has refocused its strategy to actively court the European market, among others.

"We looked at the European countries with the highest rate of travel to South East Asia, and this made it easier for us to suggest that they drop in on the Philippines. Our country is known for marine biodiversity and scuba diving, and we have marketed ourselves as such," says Mr Durano. "If there is one Filipino characteristic that cannot be captured by any promotion, it is the Filipino heart. I call it spontaneous hospitality. We are naturally warm and caring and our passion can be seen in everything we do." ●



## SCUBA-DIVING

### Taking a plunge in the Philippines

▶ A VISIT TO THE PHILIPPINES without a diving experience is akin to visiting Britain and deciding to give London a miss. For many visitors, it is the main purpose of the trip.

The Philippines' extraordinary marine biodiversity is protected under Filipino and international law.

Every year at Donsol, a congregation of whale sharks draws thousands of visitors to this sleepy, previously overlooked town. The enormous fish, which are named Butanding – 'gentle giant' in the local tongue – are renowned for their affable nature and allow humans to swim with them. In line with the government's policy of ecotourism, the whale shark has been named a protected species in the Philippines.

Palawan's 1,700 islands and inlets, miles of unspoiled beaches and its lively capital Puerto Princesa are a popular destination for divers, as is Coron, where wreck diving is a major attraction. The Japanese fleet anchored here during WWII, and several of the mighty vessels provide the focal point of organised tours of the area.



## BORACAY

### White sand beaches and culture combined

▶ THE PHILIPPINES is the world's 12th most populous nation, but its archipelagic spread contains a multitude of hideaways. The seven kilometres of tropical idyll that constitute Boracay is one of the most popular destinations in the Philippines. Far from the largest island in the archipelago, Boracay has cultivated a reputation as one of the most spectacular.

Located 200 miles south of Manila, Boracay is home to the world renowned White Beach. A haven for those seeking relaxation, snorkelling and diving, its unique wind and weather patterns make Boracay a popular destination for disciples of kite surfing and kite boarding. Behind the surf-groomed beaches, the interior of the island is a patchwork of traditional villages linked by meandering trails that offer a perfect way to discover Boracay by bike or on foot.

For the well-heeled, Nami resort is a study in classy serenity. The 180-degree view afforded from the resort is awe-inspiring and complemented by art-deco interiors, haute cuisine and unparalleled service.

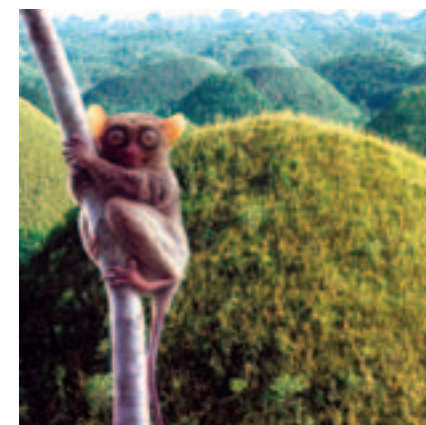


## BANAUE

### The Eighth Wonder of the World

▶ ON THE NORTHERN ISLAND of Luzon lies a small village called Banaue, the site of the 'Eighth Wonder of the World' – the Banaue Rice Terraces. Towering up to 5,000 feet above sea level, the rice terraces are believed to have been constructed between 2,000 and 6,000 years ago, and form part of a longer chain known as the Rice Terraces of the Philippine Cordilleras. The man-made structures were believed to have been carved out of the mountainside mainly by hand, a feat of engineering and perseverance equal to Stonehenge and the Pyramids at Giza. A UNESCO World Heritage Site, the rice terraces are still functioning and are tended by the descendants of the Ifugaos who originally built them.

A hospitality industry has sprung up to cater for the many tourists who visit Banaue each year, with a range of hotels and guest houses offering visitors the perfect springboard to explore this captivating place.



## BOHOL

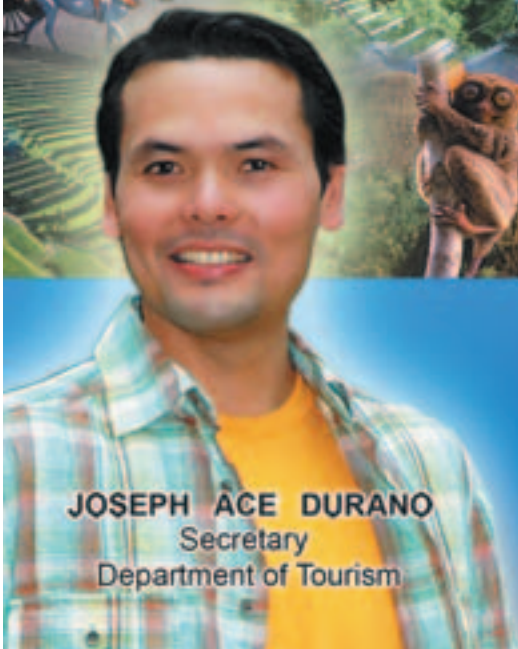
### Little and large form an appealing attraction

▶ THE TENTH LARGEST ISLAND in the Philippines, Bohol is located in the heart of the Visayas region. As well as a plethora of beaches and resorts, Bohol's fame stems from a marriage of the giant and the minute. Legend has it that the Chocolate Hills were formed by two giants who tore up the earth in an epic battle which, lasting for days, reached a satisfactory conclusion. The length of their duel was such that they forgot what they were fighting about and parted the field as friends. Another story concerns the giant Arogo, whose tears for his lost love Aloya fell to the ground and formed the singularly impressive range of low-lying hills. Bohol's other unique attraction is the diminutive Philippine Tarsier. With an evolutionary timeline that stretches back 45 million years, the wide-eyed Tarsier is believed to be the world's smallest monkey, measuring little more than fifteen centimetres in height.

Lovingly referred to by locals as the Republic of Bohol, the island is as surprising and enchanting as it's most famous sights.

# PHILIPPINES

7,107 islands beyond the usual



**JOSEPH ACE DURANO**  
Secretary  
Department of Tourism



# PHILIPPINES

[www.wowphilippines.com.ph](http://www.wowphilippines.com.ph)  
[www.experiencephilippines.ph](http://www.experiencephilippines.ph)  
[www.wowpinoy.net](http://www.wowpinoy.net)

© 2012 PHILIPPINE TOURISM AUTHORITY