E.O. 372 Task Force
Private Sector Committee Update

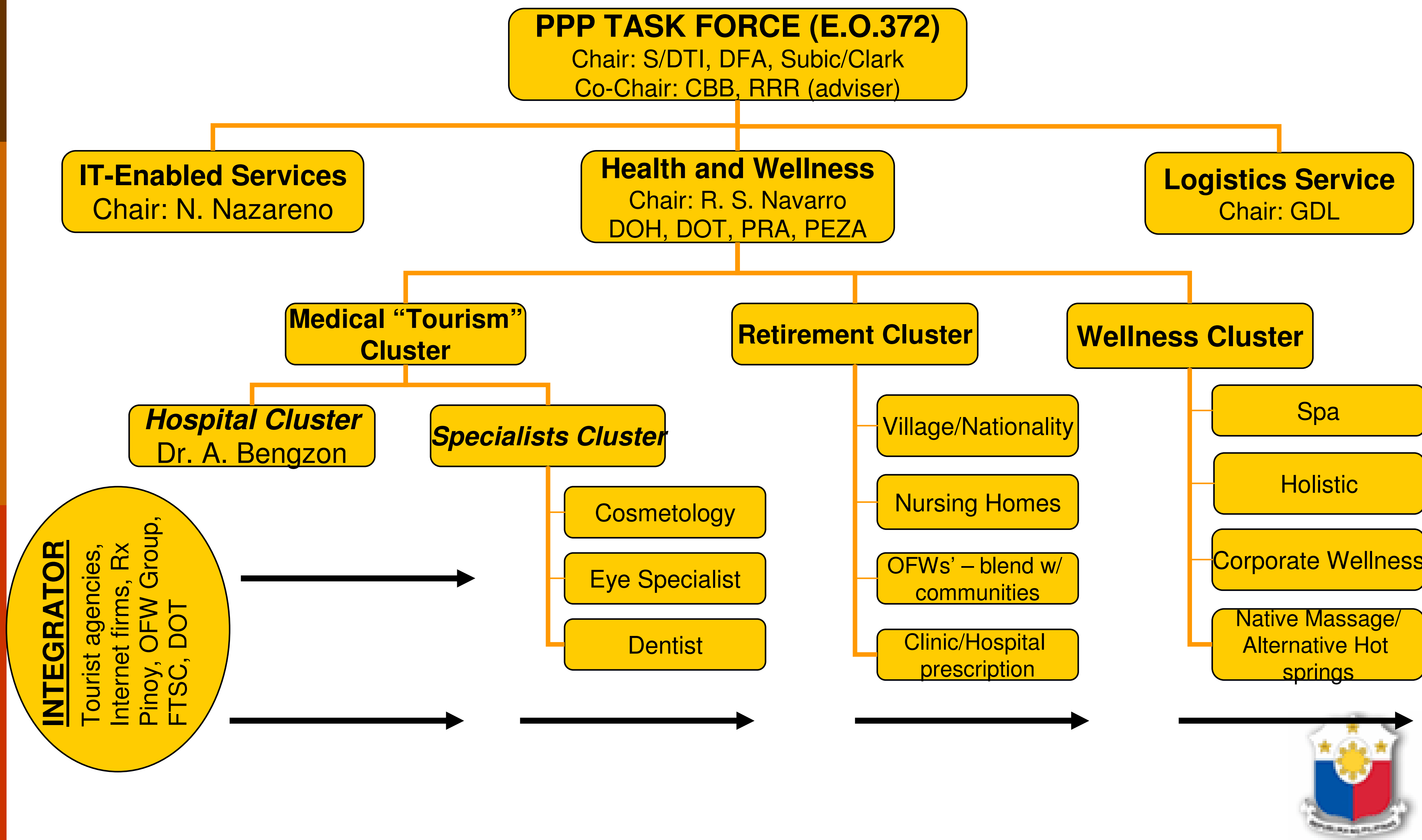
Presentation to Sec. Peter Favila

March 20, 2006

Makati City

Health and Wellness

Organizational Chart: Health & Wellness



Key Clusters/Players: Private Sector

- **Medical Tourism Cluster**
  - Hospital Cluster led by Dr. A. Bengzon
  - Specialists Cluster *(leader to be identified)*
    - *Eye Care, Cosmetology, Dental Care*
- **Retirement Cluster** *(leader to be identified)*
  - Village/Nationality
  - Nursing Homes
  - OFWs – blend with communities
  - Clinic & Hospital Prescription
- **Wellness Cluster** *(leader to be identified)*
  - Spa
  - Holistic
  - Corporate Wellness
  - Native Massage/Alternative Hot Springs

Key Clusters/Players: Public Sector

- Department of Health (DoH)
  - *Usec. Jade del Mundo*
- Department of Tourism (DoT)
  - *Director Elizabeth Nelle*
- Philippine Retirement Authority (PRA)
  - *Chairman, Gen. Edgar Aglipay (ret.)*
  - *CEO Armin Raquel-Santos*
- Philippine Economic Zone Authority (PEZA)
  - *Director-General Lilia de Lima*
- Department of Trade & *Industry (DTI)*
  - *Asec. Dita Angara-Mathay*

Vision and Mission

- **Vision**
  - 50% in total Asia market share by 2015
  - Revenue = USD 2 billion annually
- **Mission**
  - Platform to provide world-class health and allied services to local and international patients
  - Harmonize partnership among health and allied services, including those in the travel services
  - Orchestrate all sectors toward a common vision and mission to institutionalize policies

Initial Key Issues: Demand Side

- **Portability of Insurance**
  - Also related to the supply-side issue of quality of patient care and safety standards
- **Access to Market Information**
  - For use by stakeholders to know where the markets are and the types of services demanded which will be used as inputs in determining position of stakeholders in global competition

Initial Key Issues: Supply Side

- **Accreditation** *(both for local and international)*
  - To assure quality of patient care and safety and facilitate portability of foreign insurance – both public and private (e.g. US, Europe, Japan, Taiwan, Korea).
    - Only St. Luke's Hospital to date is accredited by US JCI. Others are ISO accredited.
- **Incentive Guidelines**
  - Development of guidelines to support investment expansions and upgrading of quality of technology and manpower resources
- **Enhancement of Linkages** between the medical and tourism sector

Initial Key Issues: Policy-Related

- **Will medical tourism, particularly hospitals, help improve the local health care system?**
  - Economic benefits to be generated from the medical tourism initiative vs. addressing public health objectives of equity, quality and efficiency.
- **To whom will the incentives be given?**
  - Incentive schemes for new ventures to be located in medical zones vs. incentive schemes to hospitals currently serving local patients and just starting to pursue exportable health services.
- **Will medical tourism necessitate the liberalization of foreign expertise?**
  - Entry of foreign medical practitioners in medical zones vs. provision of care by equally competent Filipino practitioners

Decision Points for Sec. Favila

- **Assistance in finalizing the formulation of the strategic framework**
  - The form of assistance to be discussed with DTI, such as the BOI incentives group.

- **For the overseas offices to commit to helping the industry in the marketing programs and promotions**
  - This step can take place after the strategic plans have been finalized

Next Steps (to be accomplished in 2006)

- Identify next steps and initiate/implement the corresponding policies to expand sector capacity and meet the “6 key success factors” in order to develop a USD 2-6 billion industry in 5 to 10 years’ time
- Begin coordinated lobby/advocacy efforts in the US and EU
- Start the multi-sector promotions thrust, with emphasis on the overseas Filipinos
- Low-hanging fruits that must be harvested
  - Taiwan retirees
  - Samsung Hospitals investment for Korean retirees
  - Japanese retirees
  - Diagnostic centres, etc.
  - Retirement villages by major developers

ICT Sector

Agenda

- Updates on previously identified projects
  - e-Services Conference
  - Paper on Financial Services Sector
- Snapshot of Global BPO Industry and Philippines’ position
- Recommendations

Highlights of e-Services Philippines 2006

6th Outsourcing Conference and Exhibition

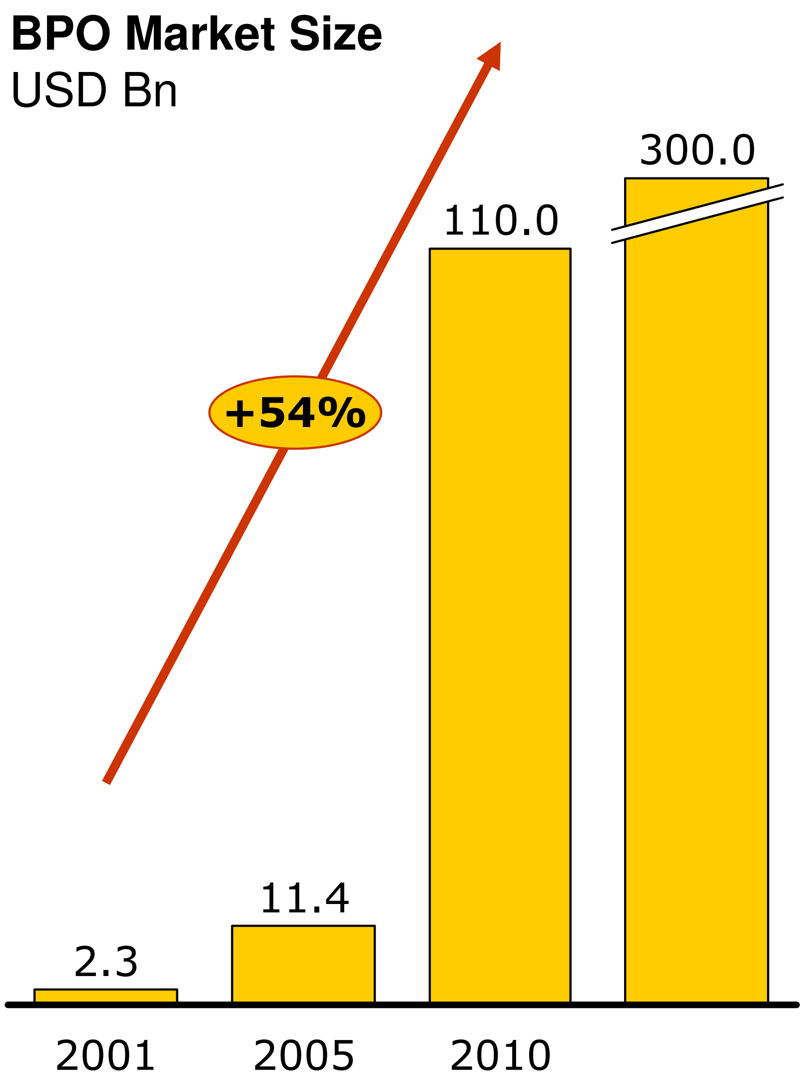
16-17 February 2006, EDSA Shangri-La Hotel

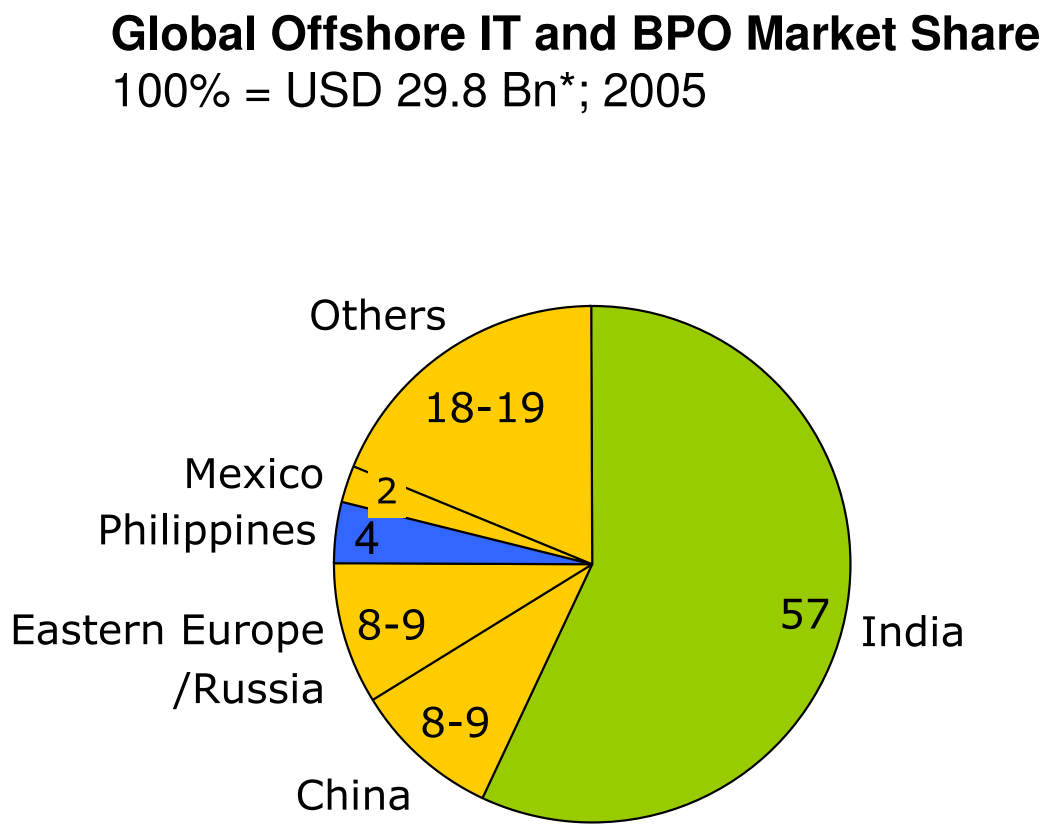
- Most successful e-Services to date, with the highest number of exhibitors (163) since 2001
- First time simultaneous summit for C-Level Organization (international organization of leading BPO and ICT executives)
- Increased quality in CEO Forum speakers and different tracks
- Trade attendance up 18% with 100 foreign attendees (up 37% from 73 attendees last years)
- Number of trade leads are up 35% (1,747 in 2006 vs. 1,290 in 2005)
- Trade value of contracts under negotiation are up 5X to P1.2B compared to only P212 million in 2005, with animation leading the way

Study on Financial Services Sector

- Commissioned study on the outsourcing potential of the financial services sector
- Commission was taken up by the BPAP
- Study is 85% complete and due for submission at the end of March 2006

Global Offshoring Market Growing Rapidly

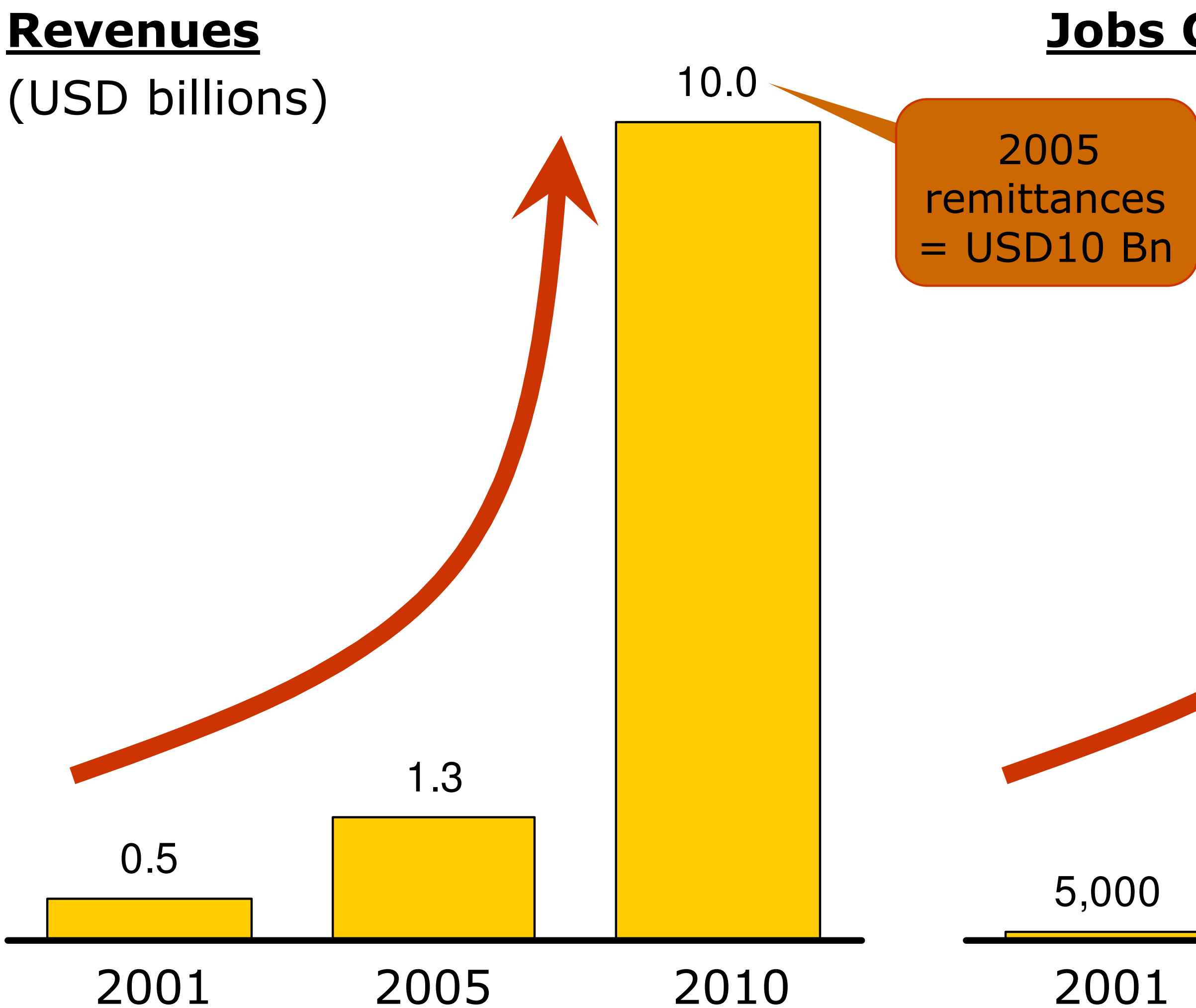


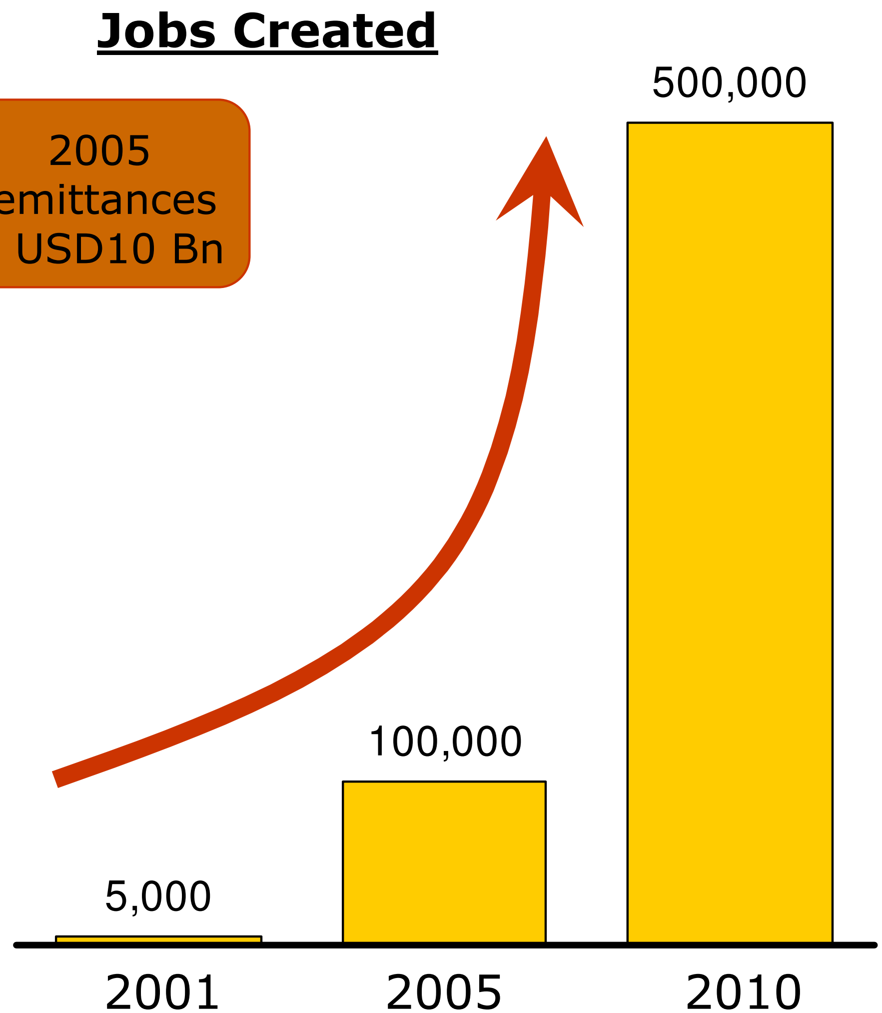


* **Global Offshore IT**: USD 18.4 Billion; **BPO**: USD 11.4 Billion

Source: McKinsey Analysis

Philippines' Aspirations





Market is Increasingly Competitive

Well established, but expensive	Rapidly emerging, low cost-high volume	High potential, but still unproven	Niche players for nearshoring, or specialised language / process support

Canada
- Full range of BPO processes for US

Ireland
- European hub for full range of BPO processes

Australia and New Zealand
- Full range of BPO processes for Asia Pacific

Singapore
- Asian hub
- Back-office for financial services

India
- Call centres
- Software development
- Engineering & design
- Back-office operations / data entry

Philippines
- Call centres
- Shared services
- Data entry / medical transcription
- Animation

Malaysia
- Back office operations
- Customer Service

China
- BPO for North Asian markets
- Data processing

Latin America
- Niche player for English, Spanish and Portuguese BPO

Eastern Europe
- Niche player for European market

Mauritius
- Niche player for English and French customer contact centres

Baltics
- Near-shore player for Scandinavian market

Caribbean
- Near-shore support for US
  - Data entry
  - Call centres

Vietnam
- Low-cost data entry

Pre-eminent emerging BPO&O locations, offering the best combination of volume, quality and cost among current players

Source: McKinsey analysis

Philippines Excels in Some Competitive Attributes but Significantly Lags in Others

Cost	▪ Primarily labor cost (75%) ▪ Non-labor costs (25%)		Gold medal -- Best in class!
Quality of labor	▪ Suitability		Silver -- Top half
Quantity of labor	▪ Quantity		Bronze -- Top half/middle
Quality of infrastructure	▪ Telecom/IT ▪ Real estate ▪ Transportation		Bronze -- Middle
Vendor landscape	▪ Employees in IT industry ▪ Share of service exports ▪ IT and BPO market size	Not in Contention	Middle/Bottom of pack
Market potential	▪ GDP ▪ Growth of GDP ▪ Access to nearby markets	Not in Contention	Bottom half
Environment	▪ Government support ▪ Business and living environment ▪ Convenience of doing business	Not in Contention	Bottom half
Risk profile	▪ Disruptive events ▪ Risks re: security, regulation, country investment, data protection	Not in Contention	Bottom

Risk Profile is A Clear Issue

Risk

Risk category	Factors	Ranking
Disruptive events	Labor issues Political unrest Geo-political conflict Natural duration	Ranked 11 out of 16
Security risks	Public security Terrorism Risk to property	Ranked 10 out of 16
Regulatory risks	Stability of law/ regulation Transparency/ fairness of legal system Risk to property	Ranked 12 out of 16
Country investment	Capital freedom Currency fluctuation Cost inflation	
IP protection	Protection of IP	Out of the medal round

Source: World Competitiveness Yearbook; Transparency International; Economist Intelligence Unit

For A Cost-Conscious Company Based In The US, The Philippines Would Be A Top Choice

Attractive country

Unattractive country

LCI components **Top 3** 1 = most attractive; 5 = least attractive

LCI components	Philippines	India	Malaysia	China	Brazil	Mexico	Hungary	Czech Republic	Poland	Russia	Canada	U.S.	Germany	U.K.	Ireland	Japan	Company-specific weighting factor
Company-specific LCI*	2.0	2.0	2.0	2.2	2.3	2.4	2.6	2.6	2.8	3.1	3.3	3.5	3.8	3.8	3.8	4.2	
Cost	1.4	1.5	1.7	1.8	2.2	2.2	2.6	2.6	2.7	3.0	3.9	4.4	4.4	4.6	4.5	4.9	70
Vendor landscape	4.5	2.2	4.7	3.7	3.5	4.7	4.7	4.7	4.0	4.5	3.2	1.0	2.5	1.8	3.5	2.2	0
Market potential	3.5	3.5	3.3	1.8	4.2	2.8	3.3	3.5	3.3	2.8	2.5	2.7	3.0	2.8	2.8	3.0	0
Quality of infrastructure	2.8	3.3	2.5	2.5	2.0	2.0	2.8	3.0	3.0	3.3	2.0	1.5	2.8	2.3	2.8	2.3	10
Risk profile	3.9	2.7	2.2	3.4	2.8	3.5	2.3	2.2	2.7	3.5	1.5	1.7	1.9	2.1	1.5	2.0	10
Business Environment	3.7	3.6	3.4	3.6	3.0	2.6	2.8	3.0	3.1	3.3	1.7	1.3	2.5	2.1	2.5	3.1	10

Source: Location cost index database

For A Less Cost-Focused Company, The Philippines Ranking Falls

Attractive country
Unattractive country

1 = most attractive; 5 = least attractive

Top 6

LCI components	India	U.S.	Brazil	Malaysia	China	Philippines	Canada	Mexico	Hungary	Czech Republic	Poland	U.K.	Germany	Russia	Ireland	Japan	Company-specific weighting factor
Company-specific LCI*	2.3	2.6	2.7	2.7	2.8	2.9	2.9	3.0	3.0	3.0	3.0	3.0	3.2	3.4	3.4	3.4	
Cost	1.5	4.4	2.2	1.7	1.8	1.4	3.9	2.2	2.6	2.6	2.7	4.6	4.4	3.0	4.5	4.9	40
Vendor landscape	2.2	1.0	3.5	4.7	3.7	4.5	3.2	4.7	4.7	4.7	4.0	1.8	2.5	4.5	3.5	2.2	20
Market potential	3.5	2.7	4.2	3.3	1.8	3.5	2.5	2.8	3.3	3.5	3.3	2.8	3.0	2.8	2.8	3.0	0
Quality of infrastructure	3.3	1.5	2.0	2.5	2.5	2.8	2.0	2.0	2.8	3.0	3.0	2.3	2.8	3.3	2.8	2.3	15
Risk profile	2.7	1.7	2.8	2.2	3.4	3.9	1.5	3.5	2.3	2.2	2.7	2.1	1.9	3.5	1.5	2.0	15
Business Environment	3.6	1.3	3.0	3.4	3.6	3.7	1.7	2.6	2.8	3.0	3.1	2.1	2.5	3.3	2.5	3.1	10

Source: Location cost index database

Getting from "Good" to "Great"

- **Develop a clear strategy to attract investments from offshoring companies**
- **Focus on flagship clients and "closing the deal"**
- **Enhance the labor supply**
- **Strengthen infrastructure**
- **Establish a strong industry association**

What the Industry Needs

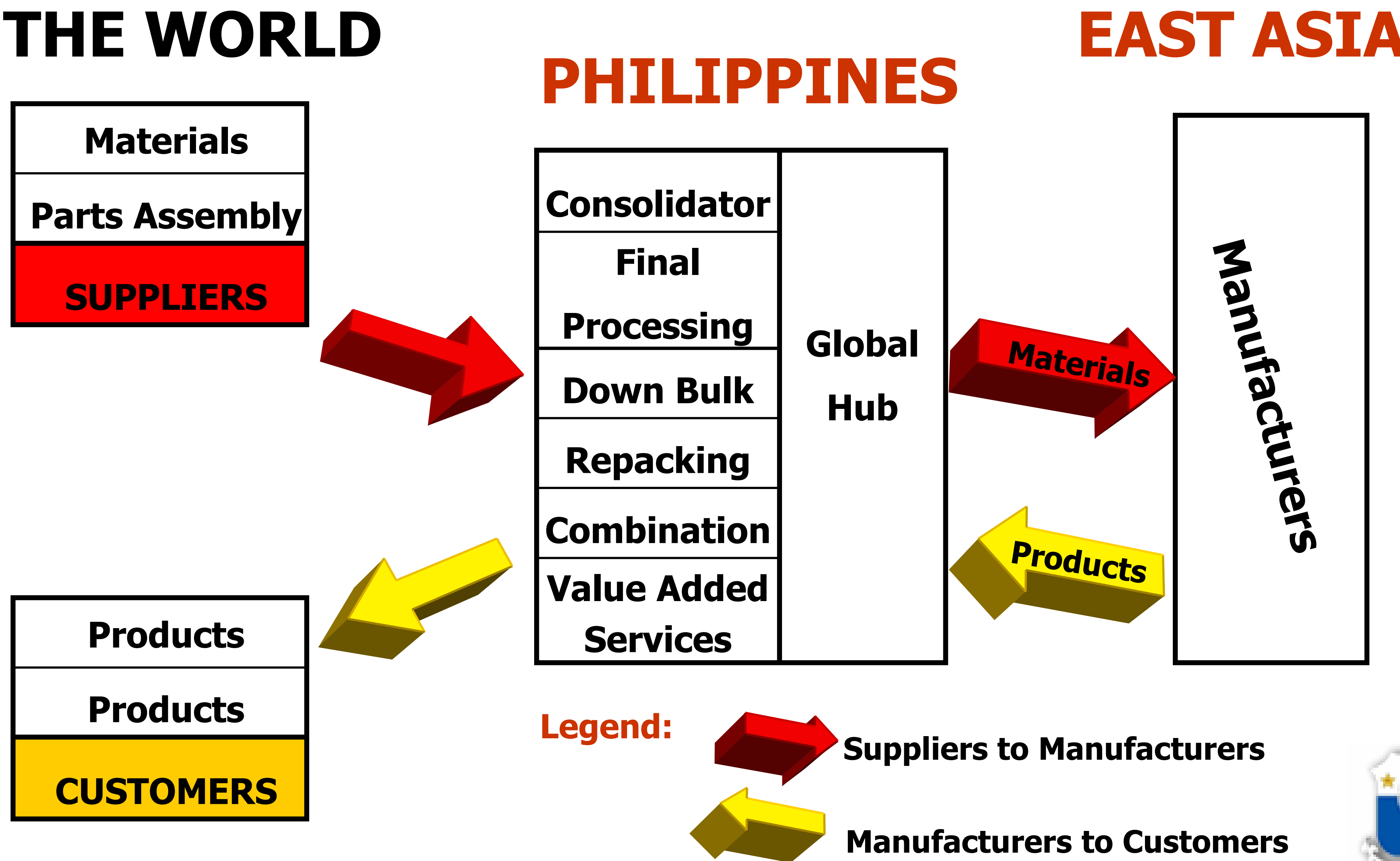
- **Clear and strong championship of the BPO sector**
  - Public statements/appearances
  - Availability of senior government officials for events and roadshows
- **Further facilitation of "end to end" process**
- **Public support for English as a medium of instruction**
- **Closer coordination with industry association**

Logistics

Sector Strategy

- **Vision**
  - For the Philippines to become a world-class logistics hub
    - With initial focus on supplying the needs of Chinese manufacturing industries in poor logistics regions
- **Possible Logistics Services**
  - Consolidation of components (parts assembly) to simplify clients' logistics complexities in the following potential fields:
    - Automotive
    - Appliance
    - Food
    - Electronics

Parameter of Logistics Services



Immediate Next Steps

- Develop Kaoshiung-Subic-Clark Corridor
- Meet Madam Wu Yi to get endorsement from politburo
- Meet pioneer in logistics in Hong Kong, China (Mr. Victor Fung, Group Chairman of Li & Fung) for strategic advise and guidance
  - Coordinate with Hong Kong Logistics Association to pinpoint prospective services and companies
  - SEIPI and MVPMAP will meet with HLA members who will be coming to Manila
- Experts on industrial development on China (Dr. Kenneth de Woskin and Mr. John Hoffman) to be tapped for advice
- Introduce Philippines consortium with the prospective clients - negotiation and government support is needed

Milestones

- Identify prospective clients (Chinese companies, in particular)
- Finalize strategic platform
- Close one or two major deals before the end of 2006

Broad Implications of Engaging China

- The emergence of China as the global manufacturing giant opens opportunities for its neighbors with niches of strength such as the Philippines

Key Issues for Overall Activities

- To develop strategies and plans for each of the three key service sectors identified in E.O. 372
- To orchestrate all sectors towards a common mission and vision
- To create a one-stop shop to facilitate the development and growth of the three key sectors

End of Presentation