

Department of Trade and Industry
Release Date: **07 July 2003**
Reference: DTI-Public Relations Office
895-8133 / 895-3995 (tel) 890-4517 (fax)
dtipro1@boi.gov.ph



Philippine rating soars

META Group cites RP as Asia's 'Bright Spot' for outsourcing

The Philippines' potential to attract more investments in the business process outsourcing and other information technology (IT)-enabled services is further enhanced with the recent rating upgrade by a leading international IT think tank and consulting firm, Trade and Industry Secretary Mar Roxas said.

The Philippines was given a C1 ranking (developing with high potential for rapid evolution) in the META Group Telecom Maturity Model (MTMM). The recent rating is two notches higher from its previous position of D (underdeveloped) thus putting the Philippine at par with India and ahead of other Asian contenders in the outsourcing business. The Philippines is now among the fastest growing Asian countries in international connectivity, according to the research report of META Group through its Infrastructure Strategies advisory services.

Taking note of this positive development, Trade and Industry Secretary Mar Roxas said "This recent ranking puts the country in the best light in terms of delivering complete array of services to prospective investors particularly in the information and communications technology sector. It is also a testimony to our growing capability to thrive and excel in a knowledge economy."

"Our policies form an integrated plan to support the private sector in business process outsourcing from the provision of the right infrastructure to continued skills upgrading and the marketing of Philippine advantages and offerings in this sector. This is an example of the Philippine government's continued commitment to enhance the environment for foreign investment," Roxas said.

"The massive investments in telecommunications facilities undertaken during the past few years are now bearing fruit," Roxas said. "We have a viable infrastructure support in place and we are constantly developing and upgrading our human resources in order to enhance our competitiveness in a knowledge economy," said Roxas, who is in the forefront of promoting the country as a viable IT-hub in Asia. It is during Roxas' terms as DTI secretary that the IT-enabled services sector was actively promoted as a viable investment area and flourished.

Roxas said the other half of the equation is the Philippines' large university-educated English speaking and culturally adaptable workforce that has demonstrated our ability to move up the value chain in the sector."

“Over the past three years, we have been preparing our youth by progressively upgrading their IT skills,” Roxas said, adding that DTI just completed the first phase of a massive computer distribution project and IT skills development program to about 1,000 public high schools nationwide that has benefited at least 500,000 students. DTI is now implementing the second phase of the program (PCPS) that will involve equipping another 900 public high schools as well as 250 local government units with computer laboratories.

Currently, the Philippines is focused on five niche areas of competitive advantage, all requiring the input of voice and data connectivity – contact “customer relationship” centers, business process outsourcing/shared financial services, application/software development outsourcing, animation and medical transcription.

Roxas also noted that the recent Philippine upgrade in ranking augurs well for the Philippines’ development strategy, which involves bringing in major outsourcers, attracting branded clients and building the confidence of existing players and customers.

“We are certainly pleased with the reclassification of the Philippines from a “D” to a “C1” rating in the META Group’s Telecom Maturity Model. This two notch upgrade is strongly indicative of the current momentum as well as huge potential of the Philippine telecom industry to move into the top end of the region,” Roxas said.

Such findings, according to Roxas, significantly enhance current development efforts on foreign investment generation as the META Group report is read by Fortune 500 and Global 2000 corporations as well as analysts and consultants who decide or make bottom-line recommendations on offshore outsourcing.

The META Group is a leading information technology think tank and consulting firm. The Group’s MTMM provides a high level characterization of a country’s telecommunication market based on various criteria such as degree of privatization, independent regulation, foreign-owned competition and accessibility of interconnection to the incumbent’s infrastructure, as well as the availability of alternative infrastructure and enhanced services.

Today, the Philippines has the advantage of redundant international connectivity with two national fiber optic cable networks complemented by submarine cabling for international research and backed up satellite as well as the independent fiber infrastructure in government-designated IT parks.

Dedicated IT parks are cornerstone of the government’s e-services strategy providing not only a concentration of telecommunication facilities but also a

catchment for marketing, location and investment assistance for companies interested in further exploring outsourcing or other IT opportunities in the Philippines.

META Group Vice-President for Asia Pacific and Philippine Country Head Lauro Vives said, "A mature telecommunications infrastructure is one of the minimum requirements to be a legitimate offshore outsourcing destination. As we continue to monitor this market, our analysis indicates that the Philippines is on the path towards being a bright spot in Asia."

The META Group research report acknowledges that "the government's crash deregulation program, known as Service Area Scheme, introduced in 1993 to spur the development of telecommunications infrastructure and increased competition, has resulted in significantly improved tele-density rate of 4.25% , a mobile penetration of 21% and significant price reduction in both international and national services. Continued improvement in competition (specifically the mobile and wireless market) will create annual 20-30% price reductions for the next three years."

META Group senior research analyst and specialist in telecommunications market trends and convergent communication, Mr. Bjarne Munch said, "The Philippines telecom market has shown significant improvement over the last couple of years and there is solid basis for competition and improved service levels."

Mr. Vives added that "In order for the Philippines to attain an enviable position of a "B" category (highly developed) within a reasonable period of time, the government must embark on a path of unrelenting transformational government policies, continuing deregulation, encouraging intense competition and enforcing enhanced connectivity."

The research report also said that some number of areas needs improvements to boost competition and lift the maturity level further towards the leading countries in the Asia-Pacific region. Such areas are the lifting of foreign investment cap and granting of license to foreign carriers. The report also stated that the Service Area Scheme has been positive but is now restrictive for competition as it lacks unbundling of the local loop. If this is addressed in a decisive manner by the government, the telecommunications maturity level will move into the top end of the region within two years.

(end)