



**Cebu IT-BPM:
Gearing For More Growth**

OUTLINE

- MILESTONES
- SIGNIFICANCE OF THE IT-BPM SECTOR
- IT-BPO SECTOR IN CEBU
- GROWTH OF THE INDUSTRY
- IMPACT OF THE IT-BPM SECTOR ON CEBU'S ECONOMY
- SUMMARY OF ECONOMIC BENEFITS
- ADDRESSING THE AGGRAVATING ISSUES FACING THE IT-BPM INDUSTRY
- OTHER INITIATIVES
- NOTES
- PROJECTIONS

MILESTONES

1994

- Cebu Economic & Business Foundation, Inc. is registered with SEC
- Cebu Investment Promotions Center (CIPC) is created
MANDATE: to promote Cebu to foreign direct investors
- Original investment plan:
 - Light manufacturing
 - Precision assembly
 - Electronics



2000

- CIPC reviewed and revised strategy to focus on:
 - ICT
 - Tourism investments

MILESTONES

Japanese manufacturers in Cebu were first to see the demand for computer graphics artists, programmers, CAD operators and animation.

This was the First Generation of IT-BPM professionals in Cebu.

MILESTONES

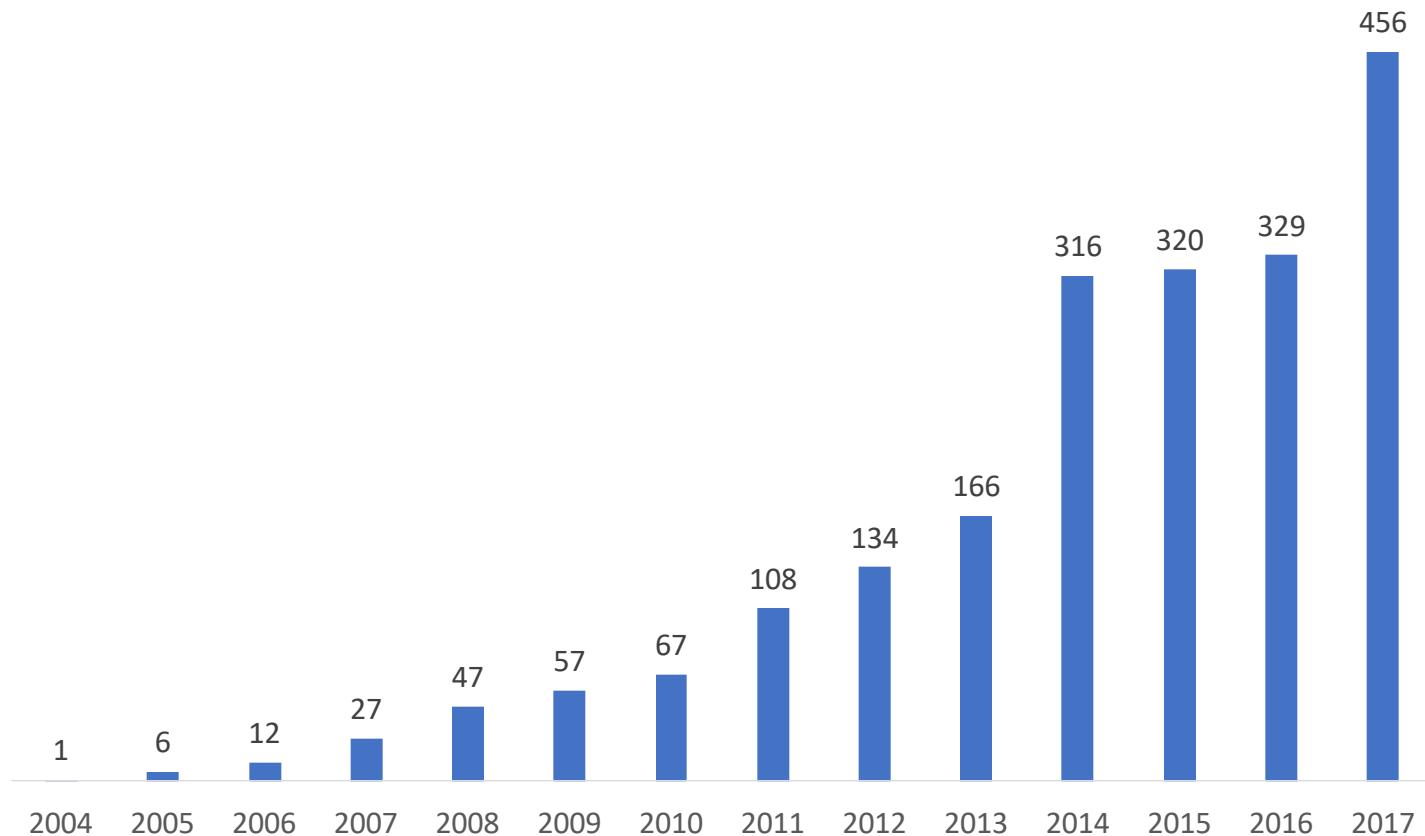


Tholons Top 100 Outsourcing Destinations 2016

Rank 2016	Movement from 2015	Region	Country	City
1	-	Asia Pacific	India	Bangalore
2	-	Asia Pacific	Philippines	Manila (NCR)
3	-	Asia Pacific	India	Mumbai
4	-	Asia Pacific	India	Delhi (NCR)
5	-	Asia Pacific	India	Chennai
6	-	Asia Pacific	India	Hyderabad
7	+1	Asia Pacific	Philippines	Cebu City
8	-1	Asia Pacific	India	Pune
9	-	Europe	Poland	Kraków
10	+2	Europe	Ireland	Dublin

IT-BPM SECTOR IN CEBU

of BPOs



SOURCE: CEBU CITY GOVERNMENT (CEBU CITY ONLY)

IT-BPM SECTOR IN CEBU

PEZA Registered Parks and IT Buildings	Gross Floor Aa (GFA) SQ. M.	NO. BPO Workers	Salaries per Month
Arcenas Estate IT Building	6,010	3,600	90,000,000
Cebu Business Park	257,884	33,127	993,810,000
Cebu IT Park	268,196	48,349	1,450,470,000
Cebu IT Tower 1 & 2	26,192	5,238	130,950,000
Creativo IT Center 1 & 2	12,796	2,560	76,800,000
Crown 7 IT Center	13,851	2,770	83,100,000
Filinvest Cebu Cyberzone	171,634	2,500	75,000,000
GAGFA IT Center	32,863	6,000	180,000,000
HDMF-WTCI IT Tower	19,658	3,800	114,000,000
JESA ITC Bldg.	8,310	1,662	49,860,000

* Continued next page

Year end 2016

IT-BPM SECTOR IN CEBU

PEZA Registered Parks and IT Bldg.	Gross Floor Area (GFA) Sq. M.	No. BPO Workers	Salaries per Month
JY Square IT Center 1, 2 & 3	26,191	4,150	103,750,000
FLB Corporate Center	16,000	3,000	90,000,000
Mango Square	17,200	3,000	75,000,000
Pioneer House Cebu	8,932	1,786	53,580,000
Robinsons Cybergate	26,806	2,900	87,000,000
DG3 IT Center	8,940	1,788	53,640,000
Ma. Christina Bldg.	750	130	3,900,000
Synergis IT Center	21,000	3,500	105,000,000
PDI Condominium	2,300	400	10,000,000
Total	927,513	130,260	3, 825,860,000

Source: MICS, PEZA, CHI (*Cebu City only)

Year end 2016

IT-BPM INDUSTRY GROWTH

Growth in Number of Firms

2000	2010	2016	CAGR
4 companies doing software development, CAD, etc.	More than 100 companies across ITO, BPO, & KPO	329 city registered IT-BPM companies	31.73%

Growth in Number of Employees

2000	1,200
2010	56,542
2016	130,260
AGR	34.04%

IMPACT OF THE IT-BPM SECTOR ON CEBU'S ECONOMY

Greatest economic benefits

- Employment potential
- Wages earned
- Purchasing power
- Improved stature of Cebu City & bragging rights

IMPACT OF ECONOMIC BENEFITS (IT/BPM SECTOR CEBU CITY)

ASSUMPTIONS:

- 1) 1:1 Ratio of Salaries & Wages (S&W) & Operating Expenses (OPEX)**
- 2) 1:1 Ratio of Direct & Indirect Employment**
- 3) For Indirect Employment, conservative estimate of P10,000 monthly salary**
- 4) 1:0.5 ratio of S&W to OPEX for Indirect employment**


THEREFORE:

**MONTHLY CASH FLOW from DIRECT EMPLOYMENT
S&W + OPEX**

**P 3.8 B in SALARIES & WAGES
+ P 3.8 B in OPEX**

P 7.6 B TOTAL NEW MONEY FROM DIRECT EMPLOYMENT

IMPACT OF ECONOMIC BENEFITS (IT/BPM SECTOR CEBU CITY)

 130,260 Indirect IT-BPM Employment
P 10,000 Monthly rate



P 1.3 * 0.5 OPEX

P 1.3 B Monthly Indirect Payroll

**0.7 B OPEX of Indirect
employment**

**P 2.0 B combined monthly S&W and OPEX of all Indirectly
employed by the IT-BPM sector**

SUMMARY OF ECONOMIC BENEFITS (IT/BPM SECTOR CEBU CITY)

Combining the results of assumptions 1 & 3:

P 7.6 B New money from Direct



P 2.0 B New money from Indirect

**P9.6 B Total money infused into Cebu City
monthly**

ADDRESSING THE AGGRAVATING ISSUES FACING THE IT-BPM INDUSTRY

- TRANSPORTATION & TRAFFIC
- SECURITY & SAFETY
- HOUSING
- ONE-STOP SHOP for processing employment papers

ISSUE #1: TRANSPORTATION

- CERES buses fielded to both southbound and northbound routes specially during night shifts
- Presence of CCTO staff at the entrance and exit points of IT Park and CBP
- City will deputize personnel from IT Park to do CITOM functions

ISSUE #2: SECURITY & SAFETY

- Increase police visibility
- Set up police outposts when & where necessary
- Improve street lighting on the sidewalks
- Pruning of tree branches with VECO and DEPW

ISSUE #3: HOUSING

- Cebu City has been talking to developers and investors to build similar facility such as Alicia Tower Residences located across Banilad Town Center
- Inventory available living spaces near IT facilities & set up a website for this information

ISSUE #4: ONE-STOP-SHOP

- In the process of finalizing a Memorandum of Agreement between Cebu City Government and Cebu Holdings, Inc. for the establishment of a one stop shop at the IT Park
- A 44 sq. meter office space has been allotted at the Active Zone area inside Ayala Center Cebu Mall

OTHER INITIATIVES

- Cebu City has the most comprehensive talent development programs:
 - Launching of the Learning English Application for Pinoys (LEAP) among 27 Senior High Schools in Cebu City under the City School Board, DepEd, DICT and CEDFIT
 - Partnership of Apas National High School with Convergys to provide contact center training for students who passed LEAP
 - One Classroom, One Contact Center, One Barangay program
 - Information caravan in the barangays
 - SMP Plus Training for Teachers – an academe-industry forum to improve the quality of graduates; funding from CHED in partnership with IBPAP/Asia Pacific College/NICP and CEDFIT
 - The City of Cebu provided funding of P750,000 for this 2017 IT Transformation Summit

NOTES

As of end of 2016

- Average salary of an IT employee in Cebu – P30,000 per month growing at 10% per year
- Building space requirement is 7 sq.m. per employee
- Average rental for office space is P500 per sq.m. per month
- Average number of direct employees per firm is 350
- Rental income per month today in Cebu is P464 million

**P500/sq. m base rental with
5% annual increase**

- Target basis: 200,000 employees by 2019

PROJECTIONS

Figures in Billions except No. of Firms, Employment & Space Required	END OF 2016	END OF 2019
NO. OF FIRMS	329	606
EMPLOYMENT (total number)	130,260	200,000*
SALARIES & WAGES	3.8	8.0
SPACE REQUIRED (in sq.m.)	927,513	1,400,000
RENTAL INCOME	0.464	0.700
New Money from Direct Employment	7.6	16.0
Total Money - Direct & Indirect	9.6	20.0

***TARGET**

Thank you.

JOEL MARI S. YU
CITY CONSULTANT
Cebu Economic & Business Unit