



Burgeoning Bacolod



*Doing business
and investing
in Bacolod City*

2018



www.pwc.com/ph/bacolod

Bacolod City

Growth. Business. Verve.

Bacolod received an award as Top Philippine Model City for 2017. While life moves at an easy, balanced pace, work opportunities have seen a steady climb in this city. With a young and active population, the next decade will produce a generation of entrepreneurial upstarts ready to take on the world.

At the heart of Bacolod's historical growth is sugar. More entrepreneurial initiatives have encouraged the wider use of sugar and its by-products by bakers, patisserie owners, restaurateurs, and baking suppliers. What this means is that Bacolod is well-poised to become the sugar products center of the Philippines. Not only is it capable of harvesting the crop, but its locals are ingenious enough to transform raw sugar cane into many iterations of the sweet life: sugar cane juice, high-grade muscovado cubes, molasses, sugar skin and hair products, for instance, come to mind. A by-product not to be discarded too easily, sugar husk has become an alternative fuel source as well.

These products create a burgeoning society that can sustain itself with its own production and enterprise powered by the boom of BPO and allied retail estate and retail businesses.

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PwC has taken the liberty of selecting Philippine cities of the Visayas and Mindanao to showcase their culture, progress and real potential as a place for investments. PwC has endeavored to package current local knowledge for prospective local and foreign investors.

This investment guide is part of the PwC Reimagining VisMin Collection — observed, analyzed, written by our own people, and published in the hopes of making a difference and reimagining the possible.

Alex B. Cabrera
PwC Philippines

Bacolod, the Smiling Metropolis



The Sugar Capital of the Philippines

Negros Occidental, where Bacolod City is located, is known as the Sugar Bowl of the Philippines for producing over half of the country's sugar. Negros' volcanic origin gave the island fertile soil, making it ideal for agriculture.

In 2016, Negros produced 1.3m metric tons (MT) of the country's 2.2m MT sugar. Sugar mills in Negros include Victorias Milling, Binalbagan-Isabela Sugar Company, La Carlota, Hawaiian, Lopez, Universal Robina Corporation, and Lopez Sugar. Despite the fluctuating sugar prices, Negros continued to grow its output. As of August 2017, Negros has

produced 1.5m MT of sugar, accounting for 61% of the country's sugar output for the first eight months of the year.

The City of Smiles

The tragedies in the 1980s such as the sinking of the inter-island vessel MV Don Juan as well as the drop in sugar prices and production motivated Bacolod City's artists, leaders, and communities to hold a festival of smiles or the *Masskara Festival*. The Masskara Festival is celebrated annually with the highlights happening on the fourth Sunday of October. During the festival, the Negrenses, and the local and foreign tourists celebrate for 20 days. Rows of food stalls and shopping bazaars



or “tiangges” line the main thoroughfare of the city. The Masskara parade is the main event where people wear masks and bright costumes. Representatives from various groups, schools, and private and government organizations participate in the parade, making the Masskara Festival one of most beautiful and colorful festivals in the world. Throughout the festival, people celebrate with the popular chicken *inasal* (roast chicken), and ice-cold beer. The city’s merrymaking, Masskara street-dancing contests, and colorful parties during the festival attract local and foreign tourists, and benefit Bacolod City’s tourism industry.

The BPO boom

As companies look for more viable alternative locations for outsourcing in the Philippines, Bacolod City remains one of the key cities for the Information Technology and Business Process Outsourcing (IT-BPO) industry. In the *Tholons 2017 Top 100 Outsourcing Destinations*, Bacolod City ranked 97th, and was recognized because of its skilled labor pool, adequate infrastructure, and streamlined business registration system.

Noticing the potential of the IT-BPO industry in the 1990s, Bacolod City focused on initiatives that will make it an ICT hub in the Philippines and attract the major local and global IT and BPO firms. Through City Ordinance No. 440, the Information and Communications Technology Council of Bacolod was established to institutionalize the initiatives. Such initiatives include laying down the procedures and requirements for business registration, and establishing the IT Schools Network of Negros Occidental, Inc.

Today, Bacolod City continues to grow and promote the city as a hub for healthcare information management, customer care services, and online English as a Second Language. IT-BPO firms in Bacolod City include Convergys, JPMorgan Chase & Co., Teleperformance, and NEZDA Technologies, Inc.



Center of Excellence for the IT-BPM •
No. 85 in Tholons 2016 Top 100
Outsourcing Destinations

The Negrense ambition

While the country's sugar industry started even before the Spaniards arrived in 1521, sugar farming developed as an industry when Nicholas Loney, a British vice-consul visited Iloilo City in 1856. Seeing the potential of the sugar industry in the Visayas, Loney, through Loney and Kee Company, helped accelerate the growth of the industry by providing farmers with imported sugar cuttings and machinery that they can avail through installment payments. The known sugar players in Iloilo City eventually moved to Negros in 1957 upon noticing the developments of the sugar industry in the island.

Today, sugar remains a key product and economic driver of Negros. The transformation of Bacolod into a highly urbanized city, however, paved the way for the city's diversification. At present, the local government and private organizations are working together to grow Bacolod City's other industries. Through the ongoing developments in infrastructure and new markets, industries such as tourism, business process outsourcing, retail, telecommunications, banking, and power continue to attract Filipino and foreign players.

In 2017, the *Manila Times* recognized Bacolod City as the Top Philippine Model City in their *2017 Philippine Model Cities*. Such award was given to the city that excelled in the following criteria: peace and security, rest and recreation, research and development, health and education, clean and green, road and home, livelihood and employment, youth and elders, tax and services, and emergency or disaster preparedness. With the local government's commitment to cooperating with stakeholders to address concerns that require immediate solution, Bacolod City is on track to becoming one of the best cities to live in and invest in.

Bacolod population



561,875 (2015)

582,170 (2017 projected population)

Fair weather all year round (2016)



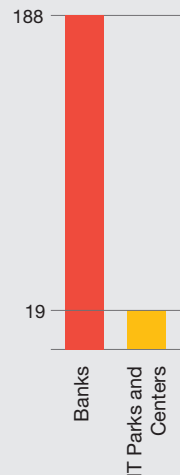
28°C (January) ~
36°C (April-May)

15.4mm (January) ~
280.24mm (June)

Majority of the population speak Hiligaynon/Ilonggo



Bacolod is the metropolitan core and financial center of the Negros Island.



Bacolod is located in Negros Island, the second largest island in the Visayas.

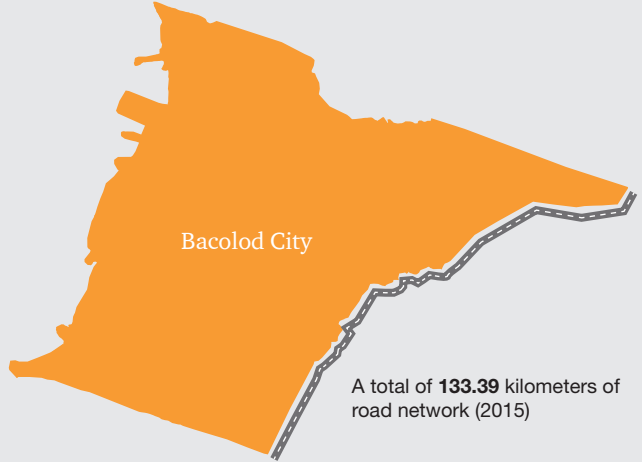
Land area 164.1 km²
(16,424 hectares)

By 2022, about **8.8%*** of the agriculture land is projected to be converted for residential, commercial and industrial use.

* 2003 data, includes Silyay and Talisay



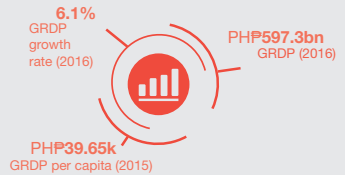
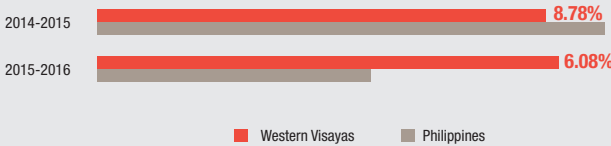
423 kms
Distance from Manila
(Flight hours 1h 15min)



A total of **133.39 kilometers** of road network (2015)

Western Visayas' GRDP growth rate in 2015 is the second highest registered growth rate nationwide.

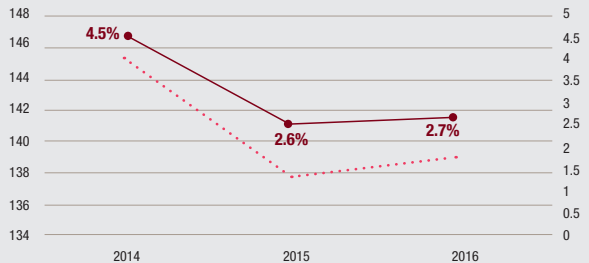
GRDP growth rate, Western Visayas vs Philippines (2014-2016)



Negros Occidental's inflation rate for 2015 and 2016 significantly improved compared to 2014.

CPI and inflation rate, Negros Occidental vs Philippines (2014-2016)

— Inflation rate, Negros Occidental
- - - Inflation rate, Philippines



PHP39.65k GRDP per capita (2015)

GRDP - Gross Regional Domestic Product

New industries cropping up

Agribusiness

Before the end of 1987, landowners ventured into farming prawns, livestock, high-value crops as a result of Negros Island's agricultural diversification campaign. The industrial sector contributed to economic growth and development by 1988. At the onset of the 21st century, signs of economic stability were apparent; changes in progressing socio-economic conditions on the island of Negros took effect.

In recent years, Bacolodnons have sought other crops to plant besides sugar. In 2016, the Department of Agriculture (DA) launched a program called 'AMIA', or 'Adaptation and Mitigating Initiatives in Agriculture', to start a wave of new agribusiness trends. The DA introduced climate-resilient crops to plant besides sugar.

Bacolod remains a sugar powerhouse, and it is ambitious enough to call itself the sugar products capital of the Philippines. As a by-product, culinary and patisserie businesses will thrive in Bacolod, as there would be an inordinate amount of sugar to go by.

The "IT" hub

Information and communications technology

The IT-BPO industry remains a key industry in the Philippines, having grown its revenues from US\$1.5bn in 2004 to US\$19bn in 2014. Based on the IT and Business Process Association of the Philippines' six-year roadmap, the industry is expected to generate US\$40bn in revenues by the end of 2022 as well as 1.8 million jobs.

In 2014, the Bacolod-Negros Occidental Federation for Information and Communications Technology set the goal to generate at least 60,000 jobs in the ICT industry by 2022.

With the positive outlook on the BPO sector, the demand for retail, office, and residential space in Bacolod City is expected to grow. Vacancy rate in PEZA-accredited sites for BPO companies, for instance, dropped from 14.7% in the second quarter of 2016 to 6.9% in the second quarter of 2017.

In 2013, Bacolod became the second city in the Visayas and Mindanao, and fourth in the Philippines, following Manila, Cebu and Clark to be elevated as a "Center of Excellence for the IT-BPM" by the Department of Science and Technology.

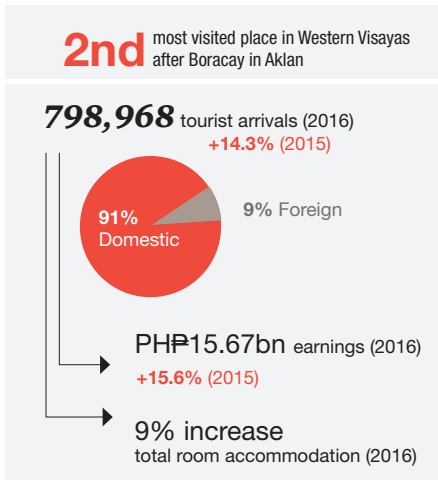


MICE and more

Tourism

To minimize the reliance on the sugar industry, Bacolod City, together with the other cities in Negros Occidental, is growing the tourism sector. Because Bacolod City is seen as an entry point and gateway to other places in Negros, the City experienced rapid growth in the first half of 2017. The City Tourism Office reported that 352,927 tourists visited the City from January to May 2017, higher than the 349,455 tourists in the entire period of 2016.

As part of its initiative to grow the tourism industry in Bacolod City and other parts of Negros, the local government is promoting investments in hotels and infrastructure. The local government is also looking at developing the food industry to help attract more tourists. With the ongoing campaigns as well as the marketing activities and promotions for Masskara Festival, the city is optimistic that it will achieve an annual growth of at least 10%.



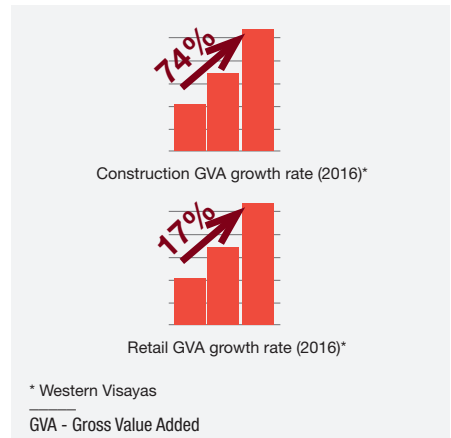
Building retail

Real estate and retail

The real estate sector is experiencing a construction boom brought about by the growing IT-BPO and tourism sectors. Take-up of house and lots grew by around 189% in the first half of 2017, and was still driven by the locals.

Similarly, the IT-BPO industry is driving the growth of Bacolod City's retail industry. While smaller retail formats are present, around 140,000 sqm of new retail spaces are expected to be completed in the next two to three years. Retail projects in the pipeline include the Ayala Mall in Capitol Central Township, Northhill Town Center, mall in Megaworld's Upper East Township, and DoubleDragon's CityMall Goldenfield.

With the expected developments in real estate and infrastructure, Bacolod City was ranked first in the 2017 *10 Best Cities to Live In* by social media group The Conyo Times. In 2008, *MoneySense* Magazine also recognized Bacolod City as the top choice in their *Best Places to Live in the Philippines* report.



You know you're in The City of Smiles...



...when you celebrate the festival of smiles for 20 days in October, with the highlights happening on the fourth Sunday of October.

1

People celebrate the **Masskara Festival** by wearing masks with smiling faces, colorful costumes, and unique accessories, while parading and dancing in the streets of Bacolod.



2

...when every April, 13 cities and 19 municipalities of Negros give thanks to Divine Providence for the promise for a good life.

The **Panaad** is the Hiligaynon word for “vow” or “promise”.



...when you hear the locals speak in a melodic tone.

3



...if you eat authentic **Chicken Inasal** (roast chicken) with your bare hands and you feel the magic of the counterpoint sweet, sour, and salty tastes. *Inasal* is best served with *sinamak* (vinegar concoction), small chilies and *calamansi* (Philippine lime).

4



...if you see the tower which commemorates Pope John Paul II's visit to Bacolod.

5

The **Pope John Paul II Tower** is a seven-storey building located in Bacolod's reclamation area, and was built in the area where Pope John Paul II delivered his message on 20 February 1981.

Bacolod is also famous for its **Piaya**, **Napoleones** and other sweet delicacies.



The story of sugar

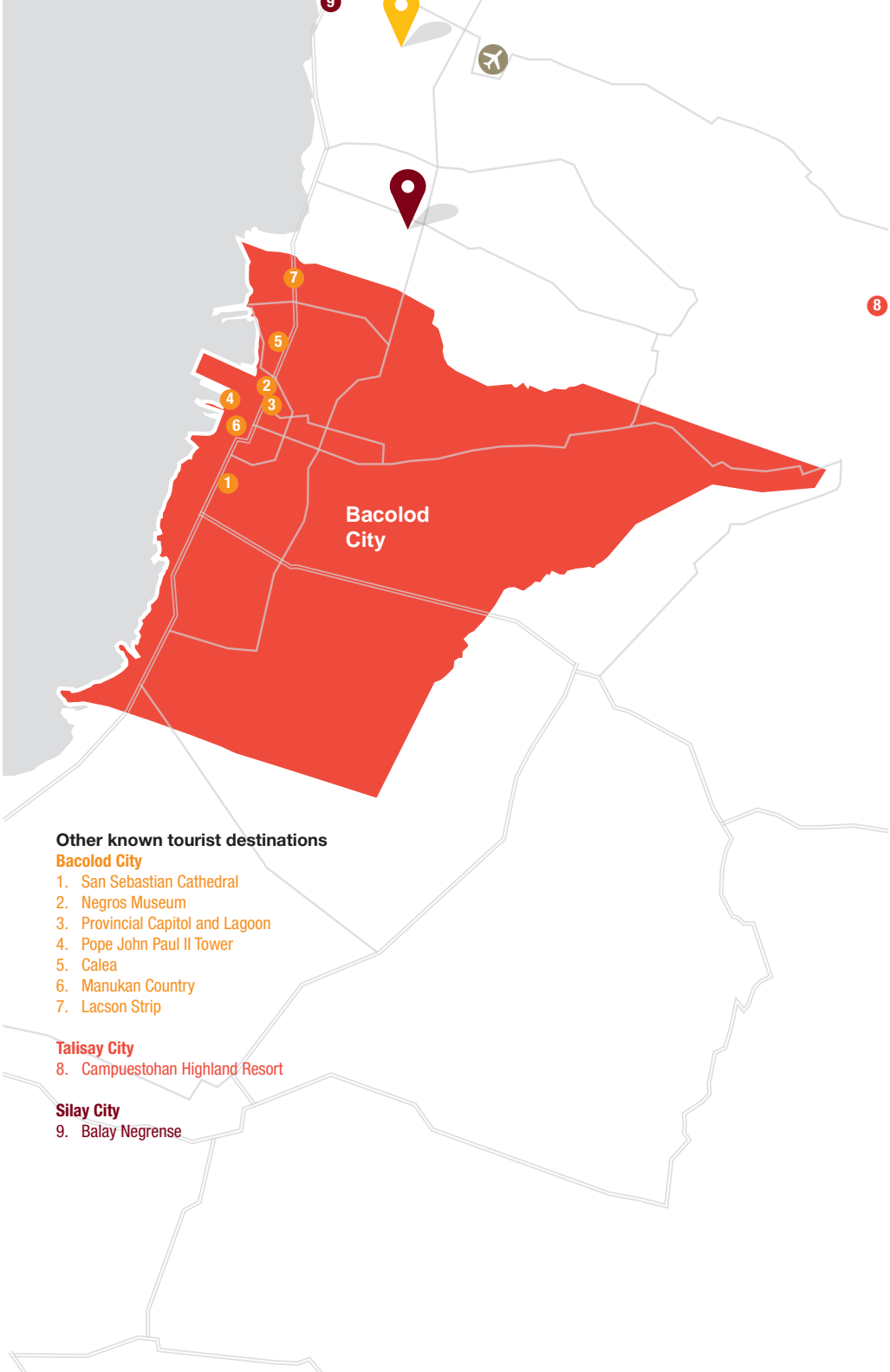
The Bacolod-Talisay-Silay (BTS) Tourism Circuit showcases the sugar industry's influence in Negrense culture, economy and society. Walking tours—which include the Negros Museum in Bacolod—capture the story of sugar in resplendent display. The Talisay Ruins, recently awarded “Best Destination for Heritage Site”, and Silay’s 30 heritage homes are testament to the lives of sugar barons of old, filled with such pomp and circumstance. Conversely, heritage and culture in Bacolod are complemented by organic farms and eco-tourist sites, like the Campuestohan Highland Resort and a food trip on Lacson Strip.



Dubbed as the *Taj Mahal of Negros*, The Ruins is the “Best Destination for Heritage Site” during the first Choose Philippines Awards Night.



The Don Bernardino Jalandoni Museum, known as The Pink House, is one of the 30 heritage houses in Silay. Declared as a historical site in 1993, The Pink House depicts the typical opulent houses during the 20th century.



Other known tourist destinations

Bacolod City

- 1. San Sebastian Cathedral
- 2. Negros Museum
- 3. Provincial Capitol and Lagoon
- 4. Pope John Paul II Tower
- 5. Calea
- 6. Manukan Country
- 7. Lacson Strip

Talisay City

- 8. Campuestohan Highland Resort

Silay City

- 9. Balay Negrense



Bacolod: The model city investment

Bacolod is becoming a popular alternative to Metro Manila because of the lower costs and promising developments. The city is also a good place to live in and invest in. The following information reveals why.

Business-friendly

Registration and permits

#1

Business registration (new application and renewal) (2012)

25,774

business permit applicants (Jan-Nov 2016)

2~4 days

processing

3-step

registration process

Fiscal incentives

1. Exemption from payment of building permit fees, business sales taxes, and other imposed fees and basic real property taxes (RPT):
 - Qualified investments in preferred activities and growth and priority development areas – three to five years depending on capitalization and employment.
 - Qualified non-preferred investments in growth and priority development areas that met the capitalization and employment generation requirements – one to three years.
 - Other investments that met the purpose, intent and objective of the city's investment code and the capitalization and employment generation requirements – one to four years
2. 10% local tax credits for persons donating land or real property to the city for its priority projects.

Non-fiscal incentives

- Data banking services
- Investment counselling
- Business linkages and networking

Efficient public utilities

Communication network



5
Television
stations



22
Radio
stations



4
Cable services

Telecommunications



4
Telephone
companies



5
Mobile phone
companies



5
Internet service
providers

259
Internet cafés

Labor force



96%
employment rate

66.8%
labor participation rate

* October 2016, Negros Island Region

Competitiveness

Based on the 2017 National Competitiveness Council (NCC) ranking of Cities and Municipalities Competitiveness Index (CMCI), among 33 highly urbanized cities in the Philippines, Bacolod City stands as follows:



- 20th Most Competitive City
- 20th in Economic dynamism
- 22nd in Government efficiency
- 15th in Infrastructure
- 19th in Resiliency

Competitive cost of doing business

Estimated land rates per sq m

Residential
Buy: PHP720~PHP3,600**

Commercial
Lease: PHP100~PHP600*
Buy: PHP2,400~PHP24,000**

Estimated land rates per hectare (PHP)

Agricultural
Buy: PHP30,000~
PHP500,000**

* office space only

** amounts are for RPT calculation purposes only.

Actual market rates may be higher.

Commercial space rentals (average per sq m)

Office space
Lease: PHP100~PHP600

Daily minimum wages per sector

PHP323.50 Non-agriculture/Industrial/Commercial and Retail/Service employing more than ten workers

PHP281.50 Agriculture

PHP271.50 Retail/Service employing not more than ten workers

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Reimagining Bacolod

Bacolod: Diversify, diversify

Bacolod need not only be the sugar center of the country, it can also be a shared urban 'twin' with its long time neighbor, Iloilo. When the Iloilo-Bacolod bridge is built, with the airport superhighway in place, the Visayas Islands will be connected both by wheeled and water modes of transport. These infrastructures and other developments would indeed make this island network a superb place for living, retirement, and business.

In Bacolod, you will eat well, travel well, and thus live well. This city is where you need to be—here, now and always.



Bacolod Airport Development, Operations, and Maintenance Project PHP20.26bn

The project will decongest the Bacolod Airport, which is currently operating beyond capacity.



Iloilo-Bacolod Bridge

Expected to ease the movement of goods and services between these two crucial urban centers in the Visayas and provide more opportunities for expansion and mobility for its residents.

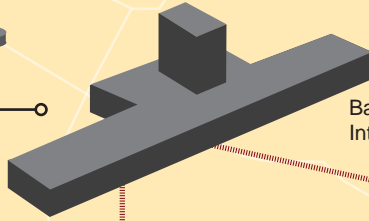
Various mixed-use real estate projects

Lifestyle and business districts



Magic Island PHP600m

The first theme park in the Visayas designed to accommodate 3,000 visitors a day.



Bacolod-Silay International Airport

Silay City

Talisay City



Bacolod-Silay Airport Access Road (BSAAR)

It will provide smooth access to/from the airport and will link Bacolod and its sister cities—Silay and Talisay—smoothly. In that way, inner city streets can be decongested, and local life carries on with less pollution or aggravation.

Bacolod

Handumanan

Gonzaga

Sum-ag

Cabug

Murcia

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