

## REACTION TO TRE 2008 SURVEY RESULTS

If you look at the TRE Summary Results on page 24 of the report, one can conclude that the respondents rated the overall environment of Telecoms Regulations in the country as positive. There was no rating lower than the median 2.5 and in the TRE 2008 Summary Results, the lowest average was 2.6. The fact that there was no rating higher than 3.2 in the Summary can also indicate that there is still much room for improvement in all dimensions. With the ratings ranging from 2.6 to 3.0, it would appear that there were no areas related to our Regulatory environment which were extremely negative and highly disturbing. On the other hand there were also no dimension which scored a 4 or a 5 so there should also be no cause for celebration in any of the three categories.

With this narrow band to work with, let us assume that any score above 3.0 is a thumbs up, and any score below 2.7 is a thumbs down, let me begin my reactions:

### Thumbs Up

1. Market Entry for Mobile was 3.2 and for Broadband 3.1 – I attribute this relatively high score to the perception that consumers have many choices in selecting his service provider nowadays both in Mobile and in Broadband services. Visibility and aggressive marketing has a lot to do in creating this satisfactory mindset. Through advertising, the uninformed consumer has been made to believe that in addition to Smart, Globe and Sun, one can also opt for Talk and Text or Touch Mobile, and now Red has entered the airwaves with their commercial showing a stuttering girlfriend. Little do they know that they are only choosing between one or the other of the duopoly plus of course one who is struggling to catch up. The perception of many choices is equally evident in Broadband with the heavy advertising made by the major telcos which have packaged DSL with regular landlines and continue to offer wider and wider bandwidths. Of course Cable TV companies as well as the large ISPs have also started offering Broadband services. The NTC were set to offer five 3G licenses when they started

bidding them out. The fact that they have only awarded four of the five there is no problem with market access in these categories. Just recently, we have all read the speculation that giant San Miguel might also get into this industry through a partnership with the Qatar telco .

2. Quality of Service for Mobile – Except for Christmas Eve, New Year’s Eve and Valentine’s Day, the mobile operators appear to have been handling the high volume of transactions well. Text messages are sent and received almost instantaneously. Nobody seems to mind or at least have gotten used to blind spots and are just content with dancing the waltz around the room while talking to look for a “sweet spot”.

#### Thumbs Down

1. Anti competition for Mobile was 2.5 – My interpretation is that this may have emanated from the perennial issue of content providers with the network providers. The seeming disproportion of the 30/70 sharing of revenues currently imposed by the telcos does not recognize the value of the intellectual assets of the content developers who feel they are always at the mercy of the network providers. As well, we read a lot about complaints to the NTC filed by the major operators against each other claiming unfair competition on promos. The accompanying publicity they get, obviously reinforce the perception of unfair competition. It is refreshing to hear that NTC will no longer impose the constitutional prohibition for foreign companies to participate in the VAS.
2. Universal Service Obligation was 2.6 for Mobile and 2.5 for Broadband– every time PLDT and Globe publish their quarterly financial statements; the anger (or envy) level of the general public rises up another notch. People just can’t believe the billions of pesos made by Smart and Globe in profits from our one peso text messages and neither have demonstrated their magnanimity in any attempts to share this bounty with the general public. I believe that instead of borrowing \$384 million from the Chinese

to build an NBN, it is incumbent on the two monopolies to share their killings through a Universal Service Obligation without hocking the future of our great grandchildren. Since the same players are involved in the Broadband category, I attribute the low rating in USO to the same reason.

As to the other dimensions, I guess it follows the adage that unless it begins to squeak, there must be nothing wrong with the wheel. In a way, this principle applies to government regulations and policies. I remember having gotten involved when I was Usec for Communication in DOTC with the international dispute on termination charges being imposed by the local carriers on incoming international calls. That was the time when international call rates from the US had dropped to 5 cents a minute but the local carriers were charging 12 cents as termination charges. That dispute landed in our front pages because of the subpoenas served by the FBI on the Philippine Telco executives while attending a conference in Honolulu. VOIP also created a number of issues in the past which also earned a lot of column space in the dailies. I guess we don't read about them anymore and so tariff regulations have scored 2.9.

Time was when a Globe cells could not connect to a PLDT landlines. When Sun came into the picture, they also had similar complaints. Due to NTC's aggressive implementation of forced interconnection, thanks to my friend DepCom Jorge, we also don't read about these problems anymore as they have become non-issues.

In the area of access to allocation of scarce resources, access to frequencies has also disappeared from public attention. To the general public, the most visible frequencies are in Broadcast. The fact that we have at least 4 channels on TV dedicated to pastors preaching their version of the gospel indicates that there is an abundance of frequencies.

Overall, I believe the results of the survey prove that we have a healthy regulatory environment in the Telecomms Industry. The fact that they have dominated the airwaves and seem to have overtaken San Miguel Beer, Coke, and Tide in advertising spend seem to indicate that they are all doing well profit-wise . In fact

they have been the darlings of golf tournament organizers, rock concert promoters and town fiestas.

Reacting to the Survey comparison with other Asian Emerging Economies, my national pride gets in the way of objectivity every time I see surveys where the Philippines is compared to countries like Bangladesh and Sri Lanka, and even India and Pakistan. I have a bias in believing that the maturity of our country's telecom sector is up to par with even developed economies. Having visited these countries myself, I have the personal belief that our ICT services, particularly in urban communities are far more superior than any of these countries. The only factors that bring down our rankings globally is because the measurements are always on per capita so our 85 Million population and our geographic landscape always drag us down to the bottom of the lists.

Among the other countries in the list, I would prefer to just use our Asean neighbors, particularly Thailand, as benchmarks in this particular survey. If I study the ratings in the seven dimensions, Philippines is ahead in four dimensions (Interconnection, Tariff Regulation, USO, and Competitiveness) in Fixed Lines, five (Market Entry, Scarce Resource, Interconnections, USO, and QOS) in Mobile, and two (USO and QOS) in DSL. Bottom line is we beat Thailand 2-1. Across the dimensions, we outranked Thailand in all categories in Interconnection and Universal Service Obligation. The other dimensions were split across the different services.

Looking at the entire survey, what I observed was that whereas most of the countries had varying scores across the three categories, the Philippines were mostly consistent in all dimensions for Fixed, Mobile, and Broadband. To me this is a good indicator that our regulations and policies are consistently applied across the different types of services. This is not as evident in the other countries. For example, in Thailand, market access for Broadband was 3.4 but only 2.7 for Mobile. In the case of the Philippines, the score was almost the same 3.0 and 3.2.

I think this also reflects on the maturity of the industry in the country, which again bolsters my biased contention that we should be compared with the more developed countries rather than the start-ups.