

# **Achieving Universal Access through Policy & Regulatory Reforms: The Philippine Case**

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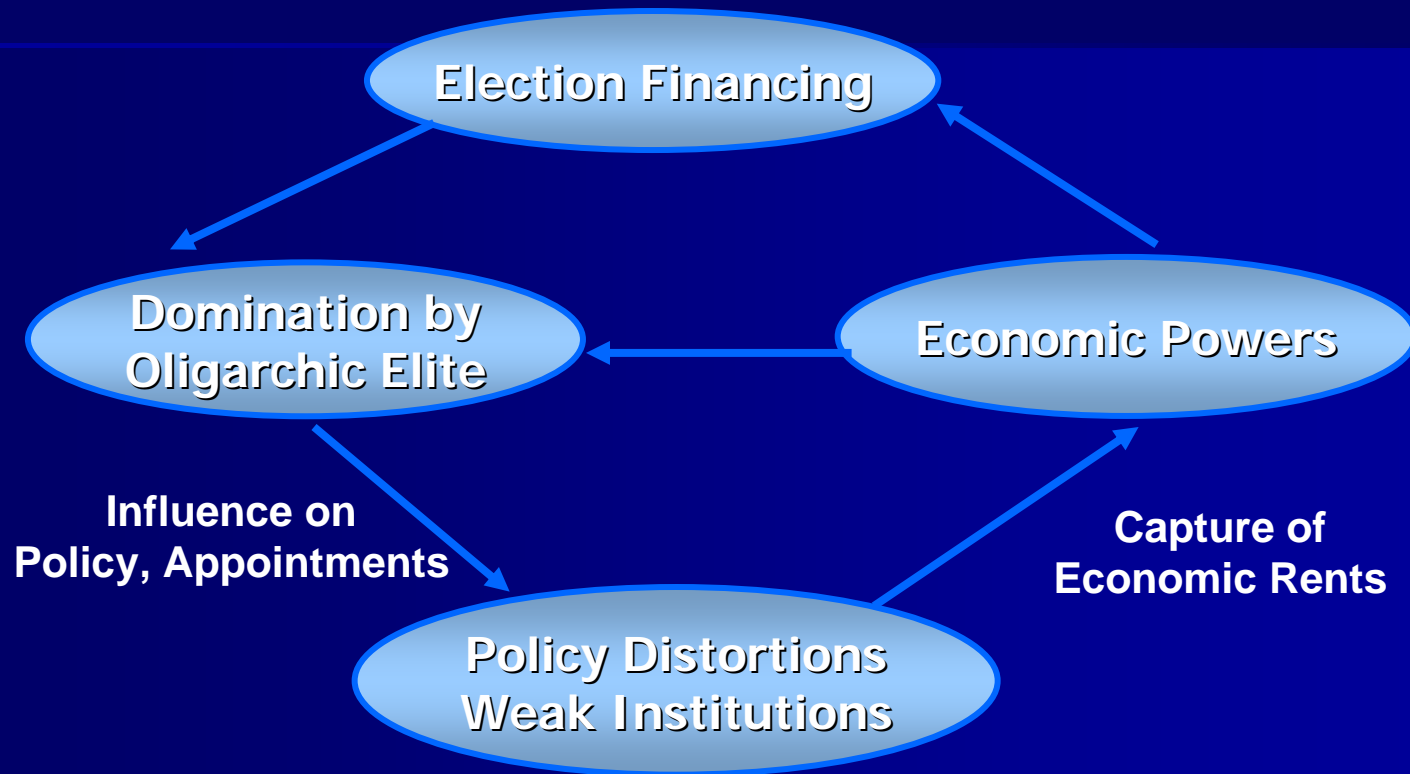
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# Philippine Political Economy



So, is reform possible?

**YES!**

# Reform in Telecommunications

		Teledensity (per 100 persons)	
	1991	2006	↑
Fixed	Single dominant private player Installed: 0.95	Two principal and 3 <sup>rd</sup> competitor Installed: 8.28	772%
Mobile	High subscription rate Subscribed: 0.05	Pre-paid and SMS Subscribed: 49.29	91,178%
Internet	Negligible	Subscribers: 2.3 Users: 9	

How did reform happen despite the odds?

# Possible Scenario

Worst

2<sup>nd</sup> best

1<sup>st</sup> best

Monopoly

Cost-based pricing regime

Fully competitive

High charges because it can!

Regulation needed

Low Cost Efficient service

Minimal

# How it happened

- Competition introduced (1993-2000)
  - Leadership and policy framework
  - Other private firms
  - Unmet consumer and business demand
- Interconnection (2001-)
  - Two dominant players
  - Wide public awareness
  - Regulatory reform pursued
  - But, Presidential intervention needed

# Universal Access

## ■ Service Area Scheme

- Deployed fixed lines in exchange for IGF and mobile licenses (300,000 and 400,000 local telephone lines, respectively)

## ■ Results

- Universal access limited success
- Improved teledensity but not in non-viable areas
- Cross-subsidy not used for UA

# Universal Access

## ■ Municipal Telephone Project

- 2,879 “Telepono sa Barangay” (village phones) financed thru a US\$177-million loan in 1989

## ■ Result

- Supplier/donor-driven – technology now obsolete
- Poorly maintained – 700 PCOs (1998) to 150 (2005)
- Prone to corruption – no monitoring mechanism
- Overstaffed - 5,000 employees 150 calling offices
- For privatization since 1998 but no progress – mandated by law (Republic Act)

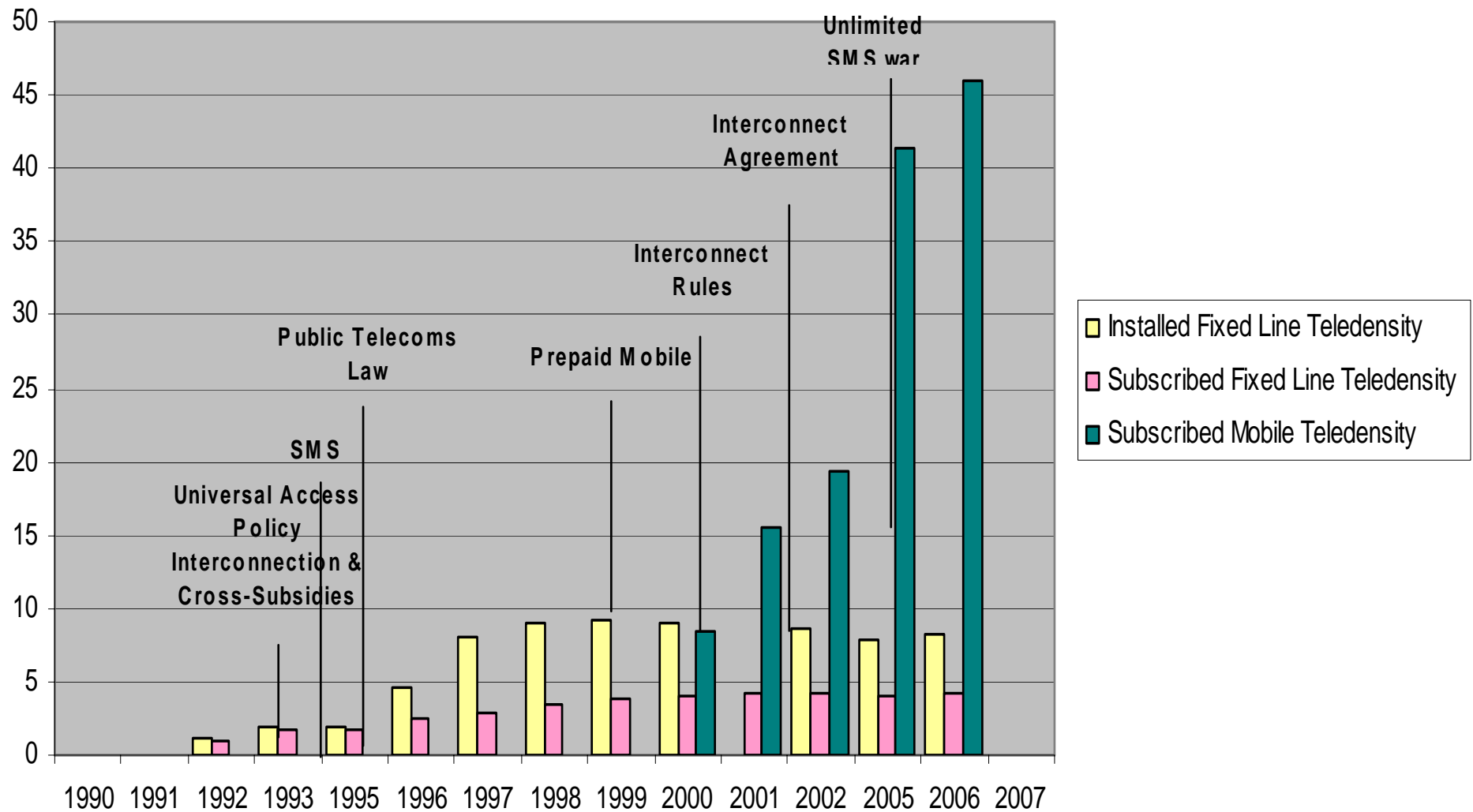
# Mobile: “Unintended” UA Program

- Initially, cross-subsidy used to gain market share in urban areas
- **Interconnection was critical!**
- Innovative pricing increased teledensity!
  - Subsidizing handsets (from \$1,500 in 1989 to less than \$100 in 2006)
  - Mobile overtook fixed line in 2000
  - Cell site roll-out, with almost 100% coverage
  - More than 40% penetration, saturation in urban areas
- **Today, mobile is king! 68% telecoms revenue market share**

# UA in perspective

- UA is being achieved through the unleashing of competing private interests
  - 24/7 Unlimited SMS and Voice
  - "e-Load"
  - "Mobile wallet"
- Elephant vs Elephant
  - 1994 Globe (Ayalas) vs. Smart (PLDT)
  - 2003 Sun Cellular (Gokongwei) vs. dominants

# Results of Reforms



# The Next UA Frontier: Internet

- Internet access dependent on fixed line
- Déjà vu!
  - High cost of leased lines (ISPs)
  - High cost for consumers
  - Concentrated in urban areas
  - Anti-competitive practices
    - Dominant fixed line firm owns the leased lines and national internet café chain
    - VoIP interconnection

# Moving Forward

- Learn from the mobile success story
- Market dynamics
  - Another elephant
  - Disruptive/affordable technology e.g. WiMax?
- In our hands
  - Regulatory intervention
  - Government Telecenter Program
  - Shared Access Model

**Thank you**

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