



PH needs 3rd telco player

by Myla Iglesias, June 30, 2017

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State think-tank Philippine Institute for Development Studies (PIDS) urged government to undertake regulatory reforms that would allow the entry of a third telecom player to stir competition.

Erlinda Medalla, PIDS senior research fellow, said the buyout of San Miguel Corp.'s telecommunication assets and which left the country with only two main players PLDT and Globe Telecom has "brought a cloud of doubt as to the motives" of the transaction.

She said such move said can "clearly reduce competition to just two players" in the industry.

Medalla said there should be at least three major players in the industry to promote competition.

In the near future, challenges "arising from structural barriers, such as the cost of obtaining various permits and licenses (both local and national), the cost of obtaining rights of way, the available spectrum or bandwidth, and the foreign equity limitation" might make things more difficult, Medalla said.

To address this, Medalla emphasized the need for liberalization, competition and regulatory reforms on the part of the Philippine Competition Commission (PCC), the National Telecommunication Commission and other government agencies, such as the National Economic and Development Authority and the Department of Information and Communications Technology.

Medalla said while the acquisition by PLDT and Globe of San Miguel's telco assets is a "done deal," the government should make sure that this transaction benefits the consumers. Particularly, she urged government to ensure that "PLDT and Globe increase and widen their services."

Medalla also encouraged PLDT and Globe to work with the PCC and NTC to ensure that "there is (and will be) no violation of the PCA and that the mergers and acquisitions would indeed produce benefits."

"This can be done during the transition period, where the firms can 'cure' any violation if any, or may request for binding ruling from the PCC. This could entail agreeing on conditions that would yield benefits for consumers, like platform sharing and interconnectivity, and increased services and greater utilization of their assets (including those newly acquired)," she added.

Medalla also proposed that NTC and Congress reduce the barriers to entry, especially in allocating bandwidths and spectrum and in granting of telecommunications franchises, respectively, and impose stringent conditions on consumer protection and quality of service suppliers.

In addition the government should also need to come up with the rules on mergers and acquisition to vet the firms against possible anti-competitive impact and make sure that the dominant position created by the M&A produces efficiency or welfare gains, Medalla said.

She noted that "once a firm has obtained dominant position, it is more difficult for competition policy and law to police such firms against anti-competitive behavior."

Last month the PLDT and Globe have completed the third and last payment for the joint acquisition of SMC telecommunications assets for P 69.1 billion .

The two companies are on track to comply with the NTC directives to improve its telecom services specially the internet using the frequencies acquired from SMC under a three-year rollout program.

The companies were mandated to improve their services covering over 90 percent of the country's key cities and municipalities.