NATIONAL TELECOMMUNICATIONS COMMISSION
Philippine Regulatory Body

MAJOR REGULATORY CHALLENGES

(A Philippine Regulatory Scenario)

By
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Philippines

NATIONAL TELECOMMUNICATIONS COMMISSION

Vision

A pro-active regulatory agency towards a globally competitive, universally accessible and affordable information and communication infrastructure services.

NATIONAL TELECOMMUNICATIONS COMMISSION

PHILIPPINE TELECOMMUNICATIONS POLICY

Telecommunications is essential to the nation's economic development, integrity and security and shall be developed and administered to safeguard, enrich and strengthen the economic, cultural, social and political fabric of the country.

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MISSION

- Establish a pro-active regulatory environment conducive for the sustainable growth and development of the information and communication infrastructure and services.
- Promote and sustain an environment that would foster a healthy relationship among stake holders particularly between service providers and the consumers.

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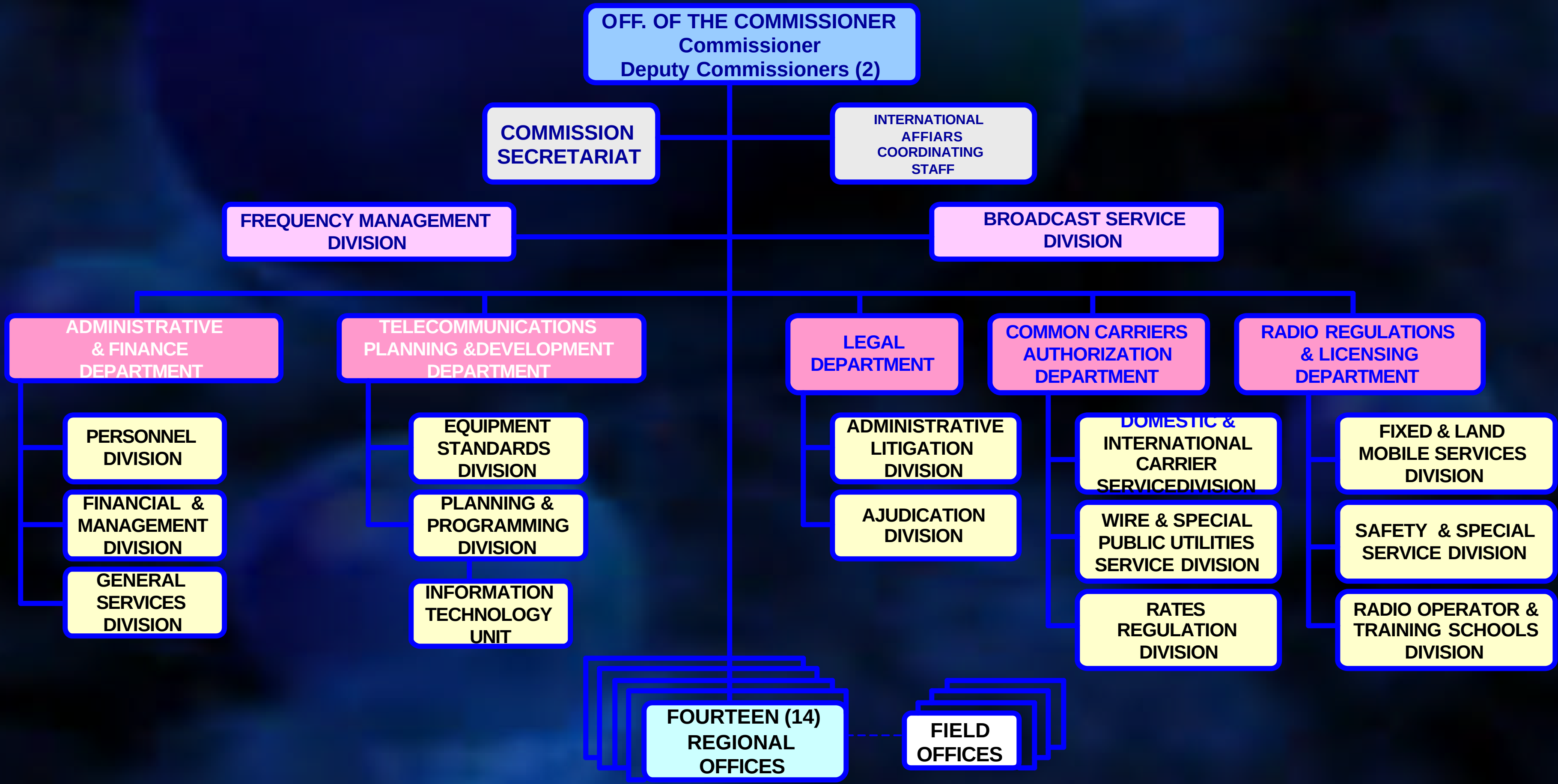
ORGANIZATIONAL STRUCTURE



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Personnel Complement (As of August 2001)

Name of Unit	No. of Plantilla Positions	No. of Positions Filled	No. of Unfilled Positions
Central Office	224	193	31
Regional Offices	267	243	24
T O T A L	491	436	55

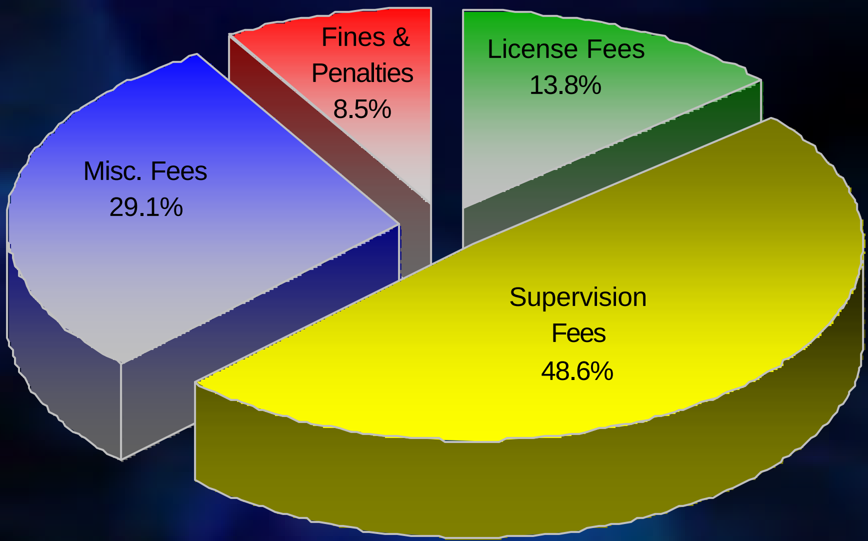
The NTC consists of the central office and 14 regional offices.

Summary of Budget Proposals CY 2002-2002

Expense Class	2000 Actual	2001 Current	2002 Proposal	2002 Baseline	2002 Above Baseline
Total Personnel Service	85,882	90,706	109,211	90,470	18,741
Total Current Operating Expense	129,826	138,946	190,674	139,235	51,439
Total New Appropriations	141,798	146,498	247,174	139,235	107,939
Life & Retirement Insurance Premium	7,631	7,948	8,426	0	8,426
GRAND TOTAL	149,429	154,446	255,600	139,235	116,365

Financial Report (As of August 2001)

TOTAL COLLECTIONS GENERATED (in Pesos)	2000 Actual	2001		
		Estimate	Actual (As of June 2001)	% Over Estimate
	821,657,642.72	732,000,000	324,057,000	44.27%



BREAKDOWN OF ACTUAL INCOME FOR YR 2000	
License Fees	113,249,172.50
Supervision Fees	399,642,540.43
Misc. Receipts (SUF & Permit Fees)	239,011,363.13
Fines & Penalties	11,980,393.80
Fines & Penalties (Supervision Fees)	57,733,019.36
Other Income	41,153.50
TOTAL	821,657,642.72

TARGET COLLECTIONS FOR FY 2002 (in Pesos)	750,000,000

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MANDATE PER PUBLIC TELECOMMUNICATIONS POLICY ACT (RA 7926)

- Develop/maintain a viable, reliable and universal infrastructure using the best available and affordable technologies as a tool to nation-building and development.
- Promote fair, efficient and responsive market to stimulate growth of telecom facilities/services in unserved/underserved areas at affordable rates
- Promote/provide for a healthy, competitive environment among telecom companies that will encourage their financial viability while maintaining affordable rates.

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IMMEDIATE GOAL

- Fully competitive market in which consumers benefit from lower prices and better services and firms get a fair and reasonable return.
- The national economy benefits from reduced costs for telecom services used by other sectors.
- Universal Access.

industry structure and profile

- Local Exchange Service

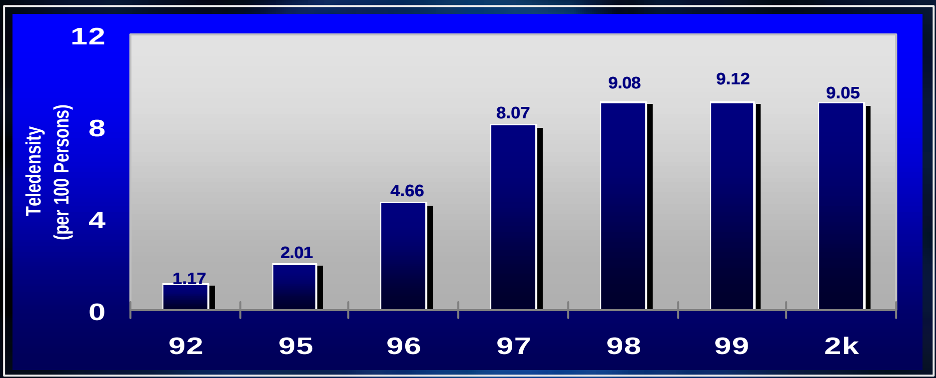
	1999	2000	%Inc./(Dec.)
NO. OF OPERATORS	76	76	0%
NO. OF INSTALLED LINES	6,811,616	6,905,962	1.4%
NO. OF SUBSCRIBERS	2,892,435	3,061,387	5.8%
CITIES/MUNICIPALITIES With TELEPHONE SERVICE	45%	54%	20.0%
TELEPHONE DENSITY	9.12	9.05	-0.8%

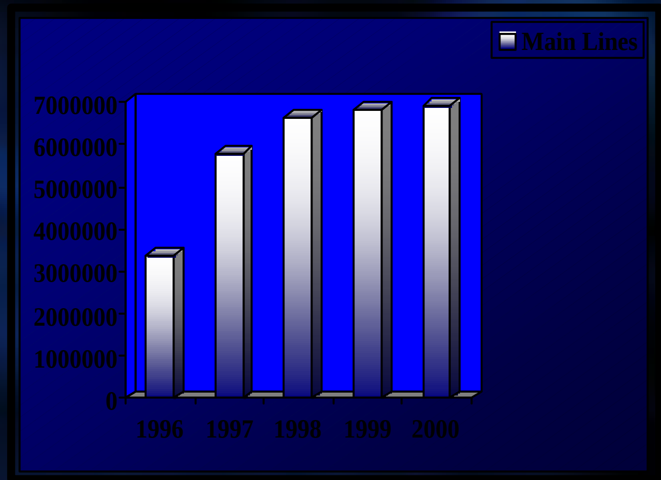
industry structure and profile

Growth in Wireline Telephone Service

Year	No. of Main Lines	Percentage Inc/Dec	Telephone Density	Percentage Inc/Dec
1996	3,352,842		4.66	
1997	5,775,556	72.26%	8.07	73.18%
1998	6,641,480	14.99%	9.08	12.52%
1999	6,811,616	2.56%	9.12	0.44%
2000	6,905,962	1.39%	9.05	-0.77%

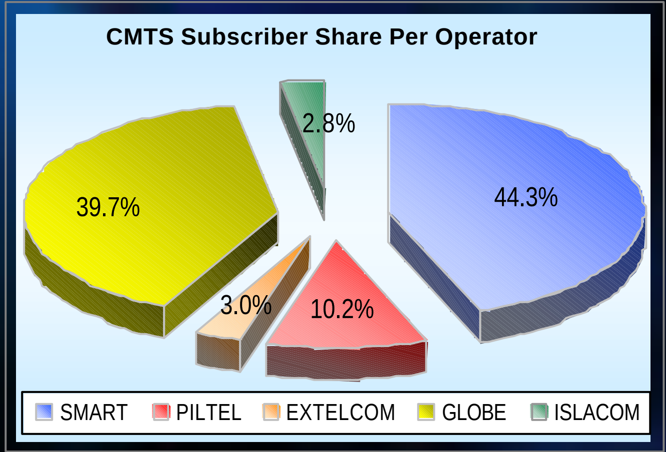
TELEPHONE DENSITY INDEX





industry structure and profile

- **Growth in CMTS**



CELLULAR SUBSCRIBERS PER OPERATOR			
OPERATOR	NO. OF SUBSCRIBERS		Percentage Inc/Dec
	As of Dec. 1999	As of Dec. 2000	
SMART	1,025,150	2,858,479	178.84%
GLOBE TELECOM	916,319	2,563,000	179.71%
PILTEL	527,879	656,814	24.43%
EXTELCOM	198,918	194,452	-2.25%
ISLACOM	181,614	181,614	0.00%
T O T A L	**2,849,880**	**6,454,359**	**126.48%**

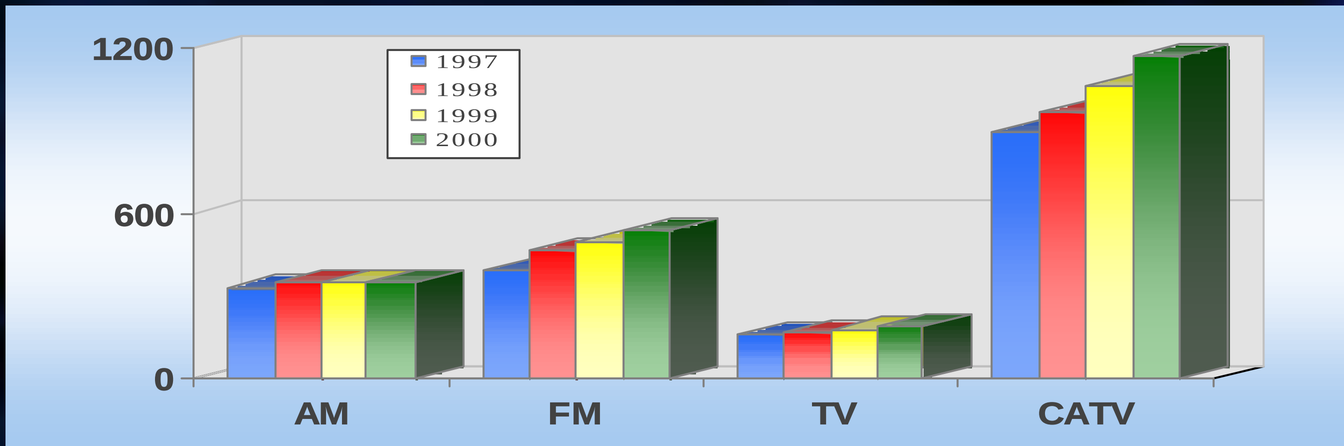
industry structure and profile

- Other Telecom Services

TELECOM SERVICES	Dec '99	Dec 2K
Inter Exchange Carriers	12	12
International Carriers	11	11
Value Added Service Providers		
without networks	106	156
with networks	13	13

industry structure and profile

GROWTH OF BROADCAST STATIONS AND CATV NETWORKS				
SERVICE	1997	1998	1999	2000
AM	330	350	355	355
FM	399	462	493	537
TV	159	173	182	194
CATV	894	958	1055	1162
DTU	0	2	2	3



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evidence of success

- Reasonable success from previous policies
- Many markets display increasing competition
  - Cellular Service
  - International Service
  - Domestic Long Distance
- Results
  - innovation in services offered and tariffs
  - better customer service and choice more
  - affordable prices

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CONSTRAINTS ON FURTHER SUCCESS

- Some markets are not fully competitive
- Local access service for customers
  - limited customer choice
  - low customer affordability
- Interconnection
  - delays in provision
  - not cost-based
  - can use market power to disadvantage competition

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other key constraints/issues

- Issue on the role of the regulatory body, its structure and functions

  - Review laws that need amendments/revisions and/or enact new laws

  - Proposed creation of a Department of Information and Communication and the role that NTC shall undertake.

  - Minimize if not eliminate bureaucratic red tape

  - professionalizing the Human Resource Component and increasing the salary scales

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Other Key Constraints/Issues

- **How to further liberalize to make market fully competitive**

  1. Local access service for consumers

  - limited consumer choice

  - low customer affordability

  - professionalize the Human Resource Component and increase salary scales

  2. Interconnection

  - Delays in provision

  - Not cost-based

  - use of market power to disadvantage competitors

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Other Key Constraints / Issues

- **Other major issues**
  - **- 3.8 million unsubscribed landlines**
  - **- financial constraints / crisis**
  - **- universal access goal remains unfulfilled**
  - **- rules on Voice Over Internet Protocol (VOIP)**
  - **- Address consumer concerns**

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Broad Strategy

- Increase consumer access through better affordability

  Major barrier to getting lines subscribes is its affordability.

  - 22 % of Filipino families can afford telephone service;

  - 15% more may be able to afford telephone service; and

  - 63% cannot afford telephone service at today's prices

(Based on DOTC Universal Access Benchmark Report 2000)

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Broad Strategy

- Improved subscriber density by getting existing landlines subscribed
- Gain experience from cellular success
- Network Coverage constantly expanding
  - PTEs subsidize to get people on the network
  - immediate connection and activation.
  - no billing address/documentation problems
  - affordability
  - flexible pricing plans

Broad Strategy

- Government response to consumer needs and of the poor
  - retain fixed monthly fee for local access service
  - offer choice to customers
  - create a range of pricing plan types
    - allows consumers wider choice
    - reduce consumer entry barrier
    - allow telcos to create customer-oriented plans

Broad Strategy

- **Proposed MENU**

  Type A : Current fixed monthly fee

  Type B : Lowly monthly fee with per minute charge

  Type C : Lower monthly fee with per call charge

  Type D : Lower monthly fee with prepaid card

  Type E : No monthly fee with per minute charge

  Type F : No monthly fee with per call charge

  Type G: No monthly fee with prepaid card

  All plans to include an option with or without customer premise equipment and the prices reduce with the exclusion

WHERE WE ARE ?

- Basic interconnection rules in place
- Fix wholesale arrangements / public hearing on-going
- Fix retail arrangements – MC issued

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WHERE WE ARE ?

- Legislating for the passage of :
  - Creation of a Department of Information and Communication Technology and a National Information and Communication Commission in the 12th Congress
  - Interconnection mandate and prescribing penalties/sanctions
  - Convergence
  - Telecom Fraud

WHERE WE ARE ?

- **Public Information Drive**

  Currently conducting information campaigns on consumer welfare/rights

Time Frame

- Pricing Strategy
  - Start in 2002 for revenue neutral interconnect and cost Neutral retail positions
  - Begin Transition in 2003
  - End transition by 2005 or 2006
- Passage of Bills on or before end of 12th Congress
- Formulation/Pronouncement of new rules & regulations 2002 onwards.

Thank you and good day!