

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.***

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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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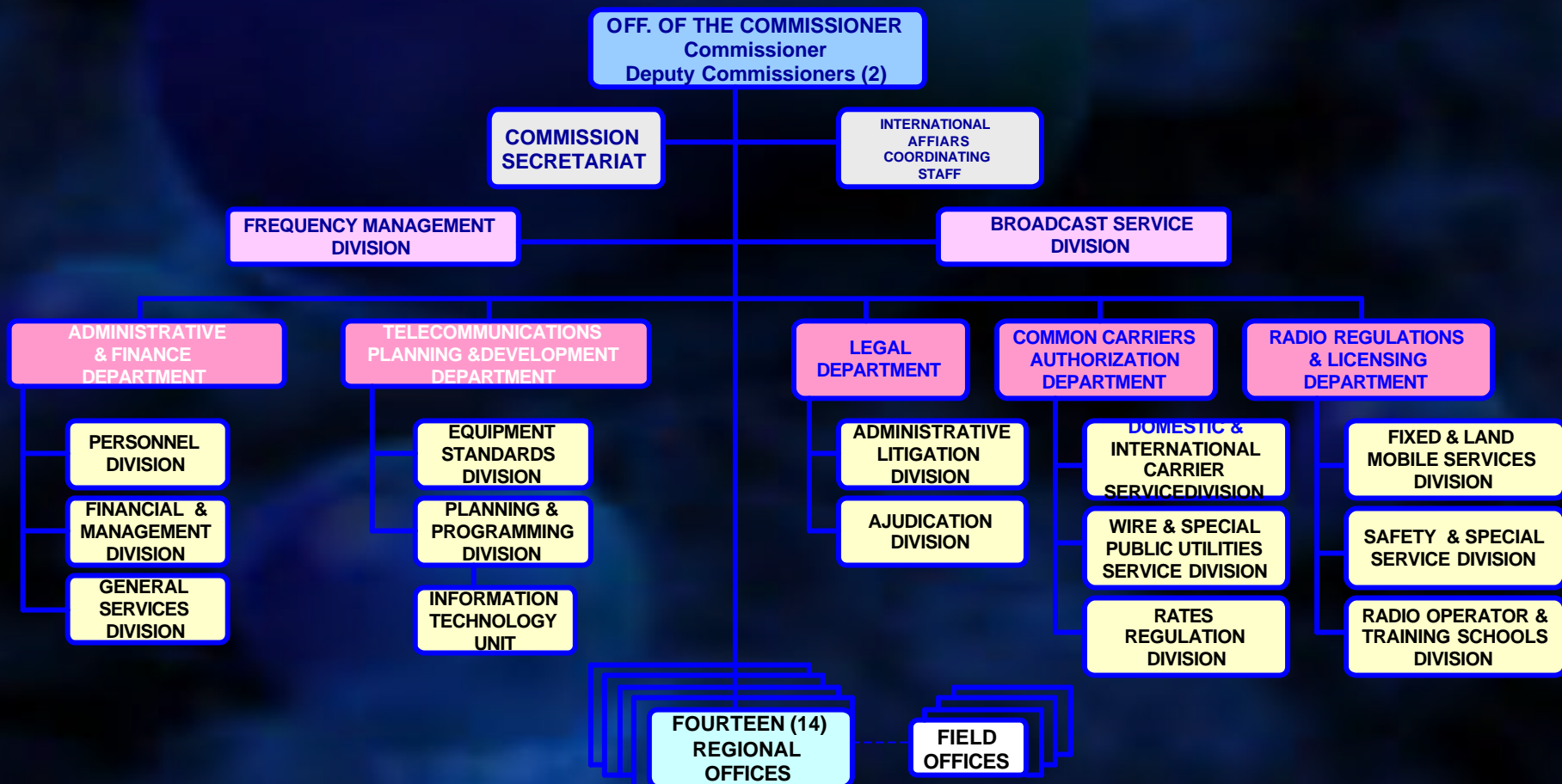
MISSION

-  **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 |

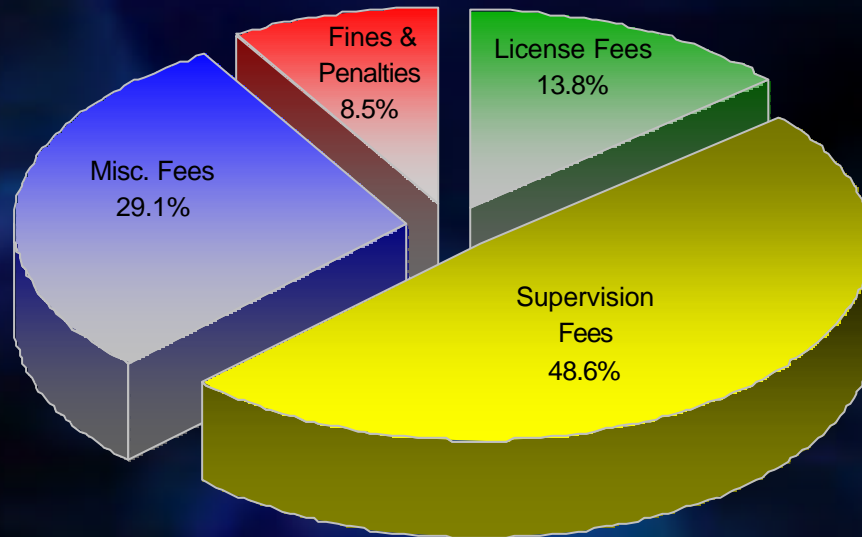
The NTC consists of the central office and 14 regional offices.

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

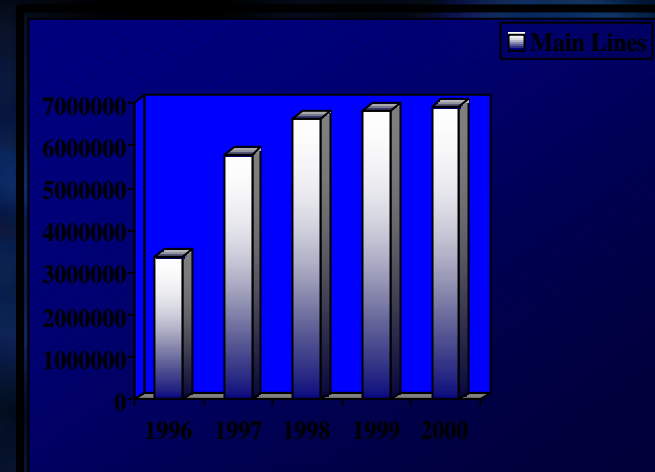
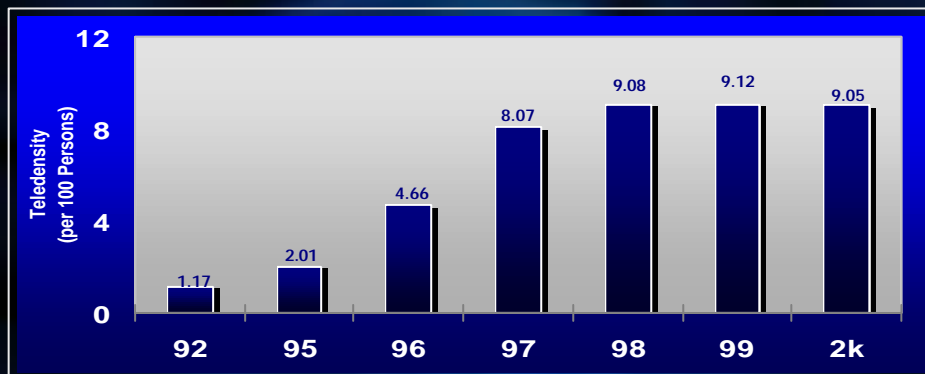
| | 1999 | 2000 | %Inc./.(Dec.) |
|---|------------------|------------------|----------------------|
| NO. OF OPERATORS | 76 | 76 | 0% |
| NO. OF INSTALLED LINES | 6,811,616 | 6,905,962 | 1.4% |
| NO. OF SUBSCRIBERS | 2,892,435 | 3,061,387 | 5.8% |
| CITIES/MUNICIPALITIES With TELEPHONE SERVICE | 45%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

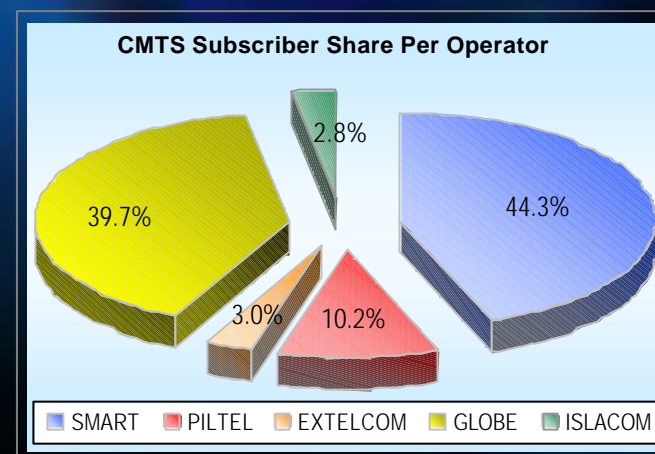
TELEPHONE DENSITY INDEX



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

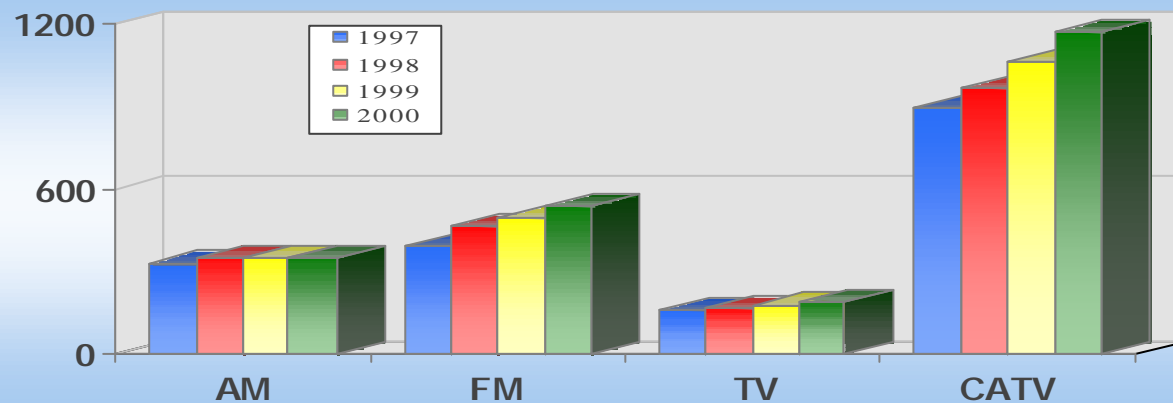
| TELECOM SERVICES | Dec '99 | Dec 2K |
|--------------------------------------|----------------|---------------|
| Inter Exchange Carriers | 12 | 12 |
| International Carriers | 11 | 11 |
| Value Added Service Providers | | |
| without networks | 106 | 156 |
| with networks | 13 | 13 |

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 subscribers 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

- ➊ Improved subscriber density by getting existing landlines subscribed**
- ➋ Gain experience from cellular success**
- ➌ 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**

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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**

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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

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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**

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WHERE WE ARE ?



Public Information Drive

**Currently conducting information campaigns on
consumer welfare/rights**

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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!*



