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Awaiting the entry of new telecom firm

AT the start of this year, President Duterte called for a third telecommunication firm, in addition to the "duopoly" of Globe Telecom and PLDT-Smart, in an effort to improve Internet services in the country.

The President said he wanted the third firm in operation by March, instructing the Department of Information and Communications Technology (DICT) and the National Telecommunications Commission (NTC) to approve the needed applications and licenses after complete requirements are submitted. The China Telecom Corporation was ready to invest in the Philippines, although Korean, Japanese, United States, and Australian firms also expressed interest in the project.

The third telecom firm after Globe and Smart, however, must be a Philippine firm in accordance with the constitutional provision that restricts foreign ownership of a telecom entity to 40 percent, with 60 percent reserved to Filipino citizens or corporations.

By the middle of February, the DICT released a circular that: (1) all bidding companies must have an existing legislative franchise with at least 60 percent Filipino ownership; (2) must not be related to any telco group with a mobile and market share of at least 40 percent; (3) must have proven technical capability; and (4) must have a

net worth of P10 billion.

Recently, however, the DICT removed the P10-billion requirement. "We will forget about the money and concentrate on the highest committed level of service," DICT Officer-in-Charge Eliseo Rio Jr. said. The government will be looking at the commitment of the new telecom firm - "the area you will cover, the Internet speed you are going to commit, and yung services that you will have after five years." In other words, what the new firm promises to achieve in five years.

This may present problems in the future. The telecom industry calls for tremendous capital expenditure (capex) - P300 billion for five years or P60 billion a year, according to the DICT. Since the local affiliate must contribute 60 percent of this capex, it must have P36 billion a year. If it does not have a net worth of at least P10 billion, it might have difficulty sourcing the funds it needs to operate.

We look forward to faster and greatly improved Internet service in the Philippines and the forthcoming entry of a third telecom firm may achieve this. The government, however, should take all possible steps to ensure that the new telecom and its foreign partner will be financially as well as technically capable of operating in this key area that impacts so heavily on the life of our country and our people.

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