



August 9, 2021

SENATOR GRACE POE
Senate of the Philippines
Room 525 & 7 GSIS Bldg., Financial Center,
Diokno Blvd., Pasay City



Dear Senator Grace Poe,



During the deliberations of SB 2094 “An Act Amending Commonwealth Act No. 146 Otherwise known as the Public Service Act, as Amended”, we noted recommendations from several senators to maintain the telecommunications industry as a public utility. If this recommendation is adopted, telecommunications will continue to be subjected to the 60/40 foreign equity restriction in the 1987 Constitution, limiting foreign direct investment.



We wish to express our concerns with this recommendation.



Philippine Chamber of
Commerce and Industry

First, retaining telecommunications as a public utility will go against the very definition of a public utility proposed in SB 2094. A primary criterion for defining public utility is the concept of natural monopoly. A natural monopoly occurs where it is more cost-efficient for the product or service to be produced by one firm.

The telecommunications industry in the Philippines cannot be characterized as a natural monopoly considering that there are three major telco players and several internet service providers. These firms are operating viably in the same service area and competition exists.



Second, the country needs to attract more firms into the telecommunication industry to provide the necessary capital to build the infrastructure to address the digital divide. According to the National Economic and Development Authority (NEDA) “data showed that 64% of barangays in the Philippines do not have telecommunication power, 88% do not have any free WiFi zones, and 70% do not have fiber optic cable installed. All these affect connectivity and worsen the digital divide.”¹ If we do not address this, access to education is hampered, and MSMEs and our workforce will have difficulty in participating in the digital economy. Likewise, the Philippines becomes uncompetitive since the state of internet access



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¹ <https://www.philstar.com/business/2021/05/27/2101023/more-players-policy-changes-boost-digital-economy>



has become a major factor in the decision of foreign investors in considering the Philippines as an investment destination.



Third, we note the concerns raised on the national security threat that may arise once telecommunications is opened up to foreign investors. Currently, Huawei has control of our telecommunications sector, because 80% of the hardware used by existing telecommunications companies are using Huawei technology. Hence, we need other players to come in to provide alternate technologies and reduce our reliance of Huawei. Allowing more foreign, non-Chinese investors in the telecom industry will help diversify the risks. SpaceX as well as Japan's KDDI and Kobayashi groups have expressed interest in investing in the Philippine market. Passing the amendments to the Public Service Act which liberalizes the telecommunications sector will open the door to these investors and lessen our reliance on Huawei.



Further, attracting investors from diverse countries will minimize potential risks that the country may face as the United States continues to implement its Clean Network program. This program is a comprehensive approach of the United States to safeguarding the nation's assets including citizens' privacy and companies' most sensitive information from aggressive intrusion by malign actors. (<https://www.state.gov/the-clean-network/>) Currently, our telecommunication companies are heavily invested in technology from China and may face risks regarding access to the US internet in the future.



Philippine Chamber of Commerce and Industry

It is our view that the current provisions of SB 2094 are sufficient to address national security threats. These include empowering the National Security Council to review prospective investments in critical infrastructure and giving the President the power to suspend or cancel any investment that threatens to impair the country's national security; a retrospective cap and prospective ban on investments in critical infrastructure of state owned enterprises; and requiring prospective investments to adhere to the ISO certification on information security as a condition to invest and operate in the country.



We need to liberalize the telecommunications sector to foster competition and provide better quality services at lower cost. SB 2094 will help achieve this and greatly benefit Filipino consumers and the business community as a whole.



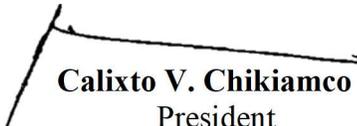
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We hope for your favorable consideration.



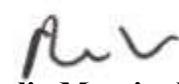
Truly yours,




Calixto V. Chikiamco
President
Foundation for Economic Freedom

Signed
Dr. Henry Lim Bon Liong
President
Federation of Filipino Chinese Chambers of
Commerce & Industry, Inc.


Francisco Alcuaz Jr.
Executive Director
Makati Business Club


Aurelio Montinola III
President
Management Association of the Philippines




Amb. Benedicto V. Yujuico
President
Philippine Chamber of Commerce
and Industry


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