FOREIGN CHAMBERS ECHO BUSINESS GROUPS' OPPOSITION TO RETENTION OF TELCOS AS PUBLIC UTILITY

The Joint Foreign Chambers expressed concerns (in a letter to all senators dated July 30) with the proposal to retain the 60/40 rule for telecommunications, which is being considered in Senate deliberations on Senate Bill 2094, amending the Public Services Act (PSA).

The JFC joins Philippine business groups in calling for the Senate to liberalize the telecommunications sector to foster competition and provide better quality services at lower cost.

SB 2094 limits the definition of public utilities to natural monopolies such as distribution and transmission of electricity, water and sewerage. Should the proposed amendments to the PSA be approved, they would add telecommunications to the list.

Philippine business groups (PBGs) recently issued a statement expressing arguments against the inclusion of telecommunication as public utility.

In support of the PBGs, the JFC added further justification for the exclusion:

Most other ASEAN countries have better telecommunication services than current services in the Philippines. The Philippines has the lowest mobile broadband subscription rate of 68 per 100 and lowest service population penetration rate of 80%. Even Cambodia and Myanmar are more advanced. Cambodia, Indonesia, Malaysia, Myanmar, and Singapore allow 100% foreign ownership. As subscribers ourselves of the major Philippine telcos, while we appreciate the services they provide, we believe they will improve in quality and price when more competitors are allowed to operate in the country.

The PSA amendments will match policies that Singapore, Thailand, and Vietnam already allow and that Indonesia last year opened to foreign investment. It also complies with commitments the Philippines made in the ASEAN Comprehensive Investment Agreement to open investment in services to other ASEAN members, effective in 2012, as part of the ASEAN Economic Community. And it will allow the Philippines to better qualify to be a member of advanced plurilateral trade and investment agreements such as the Comprehensive and Progressive Transpacific Partnership.

The bill contains provisions to protect against foreign government-owned and influenced firms controlling Philippine public services by adopting national security review practices followed by major governments, including Australia, Japan, and the United States, in reviewing and approving major new foreign investments.

Liberalizing telecommunications sends a strong signal to foreign investors that the Philippines is more open and welcoming to foreign investors. This reform will also improve the international ranking of the Philippines by the Organization of Economic Cooperation and Development from its current unattractive placement as one of the most restrictive economies in the world for foreign investment in public services. The OECD openness ranking of the Philippines, currently ranked as one of the least open (alongside Palestine, Libya, and Algeria), discourages potential investors but would improve significantly with liberalization.

There will be positive spillover effects for other areas of investment. This benefits economic recovery when more FDI is urgently needed to support GDP growth and provide new jobs when millions remain unemployed.

Approved by the following:

American Chamber of Commerce of the Philippines
Australian-New Zealand Commerce of the Philippines
Canadian Chamber of Commerce of the Philippines
European Chamber of Commerce of the Philippines
Japanese Chamber of Commerce & Industry of the Philippines
Korean Chamber of Commerce of the Philippines
Philippine Association of Multinational Companies Regional Headquarters, Inc.