Telecommunications (telecoms from here on) in the Philippines prior to the 1990s was in very poor shape compared to its neighboring Asian countries. The fixed-line teledensity, or the number of telephones for every 100 individuals living within an area, was only 0.91, and had been so for two decades prior. Reforms were initiated by executive power in 1993 that liberalized the sector; these were codified into a law passed by Congress in 1995. The response of the market was sure and immediate. Teledensity rose rapidly, reaching 9.05 in 2000 or an 800-percent increase in just 10 years. Access to telecoms services expanded exponentially when investments shifted to mobile phones. From almost nil in 1990, there were over 74 million mobile phone subscribers in 2009 (81 percent penetration, or a mobile teledensity of 80.98). There is no doubt that the mobile phone has helped the country leapfrog the development path in telecoms and now serves as the Filipino’s universal access tool, which was traditionally fixed lines. In fact, in 2000, mobile phones had already overtaken fixed-line use in the Philippines by over 100 percent—a similar trend seen in other developing countries in Asia.\(^3\)

Before the huge success in telecoms, this rapid progress seemed impossible in the Philippines—a country saddled by a weak state, poor institutional capacity, and strong vested interests. Yet these pro-competition, market-oriented reforms, which introduced irreversible changes in telecoms as well as other economic sectors, were initiated by forces within the government. This achievement has been attributed to various factors. Salazar (2007), for one, argues that telecoms reform “occurred through a coalition for reform that outmaneuvered vested interests.” Some point to the influence of strong executive leadership, which pushed key actors in both government and the private sector to expand and improve services for political, economic, and

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1 I would like to thank Rene Santiago for sharing his stories and for contributing to the analysis of the telecoms liberalization era. My utmost gratitude to Jaime Faustino, from whose ideas and actual experience in reform work this paper drew inspiration. Apart from content-editing the paper, Dr. Raul Fabella also helped ensure that this undertaking is grounded on sound economic theory. Finally, thanks to all my interviewees who generously shared their valuable time and inputs to this study.

2 For a population of 92 million in 2009, based on latest census estimates.

3 In Cambodia, mobile phone subscribers overtook fixed-line subscribers as early as 1993. See ITU (2001).
personal reasons. Others see it simply as a manifestation of a global trend in technological advancements that could not be stopped.

This chapter recounts how the reform battle was fought in the telecoms sector, who the central players were, and what they did to engender the reform that allowed emerging technologies to be adopted despite formidable odds.

1967-1985: Monopoly, Politics, and the Old Order

Prior to the 1960s, telecoms services in the Philippines were mainly provided by a single private operator, the Philippine Long Distance Telephone (PLDT) Company, established on November 18, 1928 by Public Law No. 34364 under the American Colonial Government. In March 1967, American company General Telephone and Electronics (GTE) Corporation, which set up PLDT, began negotiating to sell its 28-percent controlling shares a few years before the expiration of the Laurel-Langley Agreement (Salazar, 2007). GTE was already in discussions with a group of Filipino investors led by Enrique Zobel of the Ayala Corporation, who got together with Benigno “Ninoy” Aquino, Jr. and the latter’s brother-in-law, Pedro Cojuangco (Salazar, 2007; Coronel, 1998). However, after President Ferdinand Marcos (1965-1986) took office, high-level government officials reportedly urged GTE not to sell to Pedro Cojuangco’s group, as they were allied with the Liberal Party’s leadership who competed with, but lost to, Marcos (Nacionalista Party) in the 1965 election (Esfahani, 1994). Instead, GTE was told to deal with the owners of the Philippine Telecommunications Investment Group (PTIC), a holding company formed by some Filipino businessmen led by Ramon Cojuangco (Pedro’s first cousin), said to be a Marcos crony (Esfahani, 1994; Coronel, 1998). PTIC was to pay GTE US$7 million in cash and US$7 million in promissory notes from a loan guaranteed by the Development Bank of the Philippines (DBP)5 (Esfahani, 1994). Since then, PTIC has controlled PLDT through inter-locking shareholdings (Salazar, 2007).

Marcos and PLDT’s Virtual Monopoly

For decades, PLDT was in a dominant position, largely due to its ownership by a politically influential family and the support of high-level government officials whose own interests were aligned with that of the company (Coronel,


5 The DBP is a development financial institution owned by the Philippine Government.
1998). During the Marcos regime, much of which was under martial law, PLDT remained a virtual monopoly. With “privileged access to [Malacañang],”... “its competitors were kept at bay...” (Coronel, 1998).

PLDT's business encompassed the local exchange carrier (LEC) service, the long-distance national backbone (inter-exchange carrier or IXC), the international gateway facility (IGF), and international services in both voice and record. Meanwhile, other carriers operating at that time were either engaged only in one segment or in specialized niches (e.g., paging and telegrams), domestic only or international only.

In the domestic market, PLDT accounted for about 94 percent of the country’s telephone network. It owned and controlled a national transmission backbone through which all voice calls had to pass for long-distance connections. PLDT’s LECs were located in profitable areas in Metro Manila and other major cities. The remaining six percent of the network, maintained by small, local operators—the PAPTELCO (Philippine Association of Private Telephone Companies), also called mom-and-pop affairs—was scattered throughout the provinces and rural areas (Lichauco, 2006). Eventually, PLDT bought these small players out, including the telephone system of the government (Salazar, 2007). PLDT would choke calls to other telecommunications companies (or telcos), driving smaller companies into bankruptcy (Salazar, 2007, 109-110; Henares, 2003). PLDT’s status was very secure under the Marcos administration. In one account, an upcoming LEC competitor, the Pilipino Telephone Corporation (Piltel), was reportedly ordered to stop rolling out additional landlines (Zita, 2005; Ure, 2004). PLDT would buy out Piltel later on.

Despite the financing available to PLDT (prior to the debt payment moratorium declared in October 1983), the LEC service remained poor and limited. The overall business model was unfavorable to LEC service expansion and manifested a combination of market and government failures with catastrophic impact. There was no incentive to expand LEC service because of the huge capital needed for laying down copper wire connections and low returns. Therefore, it made more business sense (i.e., lower unit cost or higher margins) to concentrate the roll-out in areas with higher population density

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6 On September 21, 1972, Marcos issued Proclamation 1081, declaring martial law over the entire country. On January 17, 1981, Proclamation 2045 was issued, formally ending martial law.

7 IGF services consist of international transmissions, switching and network management facilities, which serve as point of entry and exit in the Philippines of international traffic between the national network and point/s outside the Philippines.

8 A record is a service designed or used primarily to transfer information that originates or terminates in written or graphic form.
than in sparsely populated ones mostly located in the rural areas. The result was a low fixed-line teledensity of 0.8 in 1977, which had barely changed 10 years after. Telecoms, however, is not a purely for-profit business, but also a utility that provides an important public service, thus creating the need for a Congressional franchise and regulation. But in a case of agency capture,\(^9\) public welfare is often undermined to protect private business interests.

Undoubtedly, PLDT flourished under a friendly policy environment under Marcos. In June 1973, Marcos issued Presidential Decree (PD) No. 217 (or PD 217),\(^10\) aimed at “spreading ownership among a wide base of the people.” This became the basis of the telephone subscriber self-financing concept\(^11\) used by PLDT to launch its “Subscribers Investment Plan” (SIP) where each new subscriber had to invest ₱900\(^12\) to ₱5,000 in PLDT preferred stocks as prerequisite for the installation of a landline (Contreras, 2000). In reality, observers saw PD 217 as an indirect tariff adjustment disguised as investment, which transferred the cost of providing a telephone service to new subscribers.

Until the late 1980s, PLDT operated the IGF, with no effective competition. Although there were other players, the voice call market was dominated by PLDT, as all international calls had to terminate through its facility. With international traffic being lopsided—inward calls outnumbered outward calls—PLDT’s foreign exchange income surged. It was in PLDT’s favor that international voice call pricing was unregulated and settled through negotiations.\(^13\) PLDT also dominated the cellular mobile telephone services (CMTS) or mobile phone market, although operations were handled by a different company, Piltel, supposedly to avoid the image that PLDT was monopolizing all services.\(^14\)

The existing political and administrative structure effectively prevented new players from entering the telecoms market. The government justified

\(^9\) Agency capture (or regulatory capture) is when the industry being regulated is able to gain control over the regulatory process, diverting it from protecting the public (Olson, 1965). Also read Shapiro (2010).

\(^10\) PD 217 was also known as “Establishing Basic Policies for the Telephone Industry.”

\(^11\) The concept provides that “a telephone subscriber finances part of the capital investments in telephone installations through the purchase of stocks, whether common or preferred stock, of the telephone company.” See Section 1, no. 4 of PD 217. Retrieved from http://www.lawphil.net/statutes/presdecs/pd1973/pd_217_1973.html.

\(^12\) Foreign exchange rate was ₱44 to US$1, as of December 2010. See http://www.xe.com/ for the latest rate.

\(^13\) Negotiations were between domestic carriers and PLDT, and between PLDT and foreign carriers.

\(^14\) Personal communication with Nestor Virata, former PLDT official and consultant, March 2, 2010, Quezon City, Philippines.
PLDT's virtual monopoly position because of the incumbent’s supposed universal service obligation through cross-subsidies, primarily from its international call revenues (Ure, 2004). This reasoning was borrowed from the American Telephone and Telegraph Company (AT&T), which promoted itself as a natural monopoly in the U.S. in the early 1900s (Zita, 2005). The natural monopoly doctrine posited that “from a societal point of view, the highest degree of efficiency exists with just one operator in the market,” (infoDev & International Telecommunication Union [ITU], 2008) either a government-regulated or government-owned monopoly. While there are circumstances where this view is defensible, it has largely been debunked. Institutional economist and telecoms expert William Melody, citing the impact of changing technologies, pointed out the overall ineffectiveness of regulated monopoly at achieving public service or efficiency goals (Melody, 1989). The dismal teledensity in the U.S. pre-1940 best manifested this failure. Melody’s contentions helped convince the U.S. regulator, the Federal Communications Commission (FCC), to open its telecoms market to new players (Parker, 2002).

Being the incumbent fixed-line operator, PLDT had the unique advantage of maintaining a nationwide backbone. However, as years passed, PLDT’s inability to meet its public service commitments would become manifest. Under its virtual monopoly, installed fixed-line teledensity stagnated at around 1.0 for two decades until 1990 (Zita, 2005; Salazar, 2007). Without threat of competition, PLDT did not feel compelled to invest to expand or improve service. On the other hand, the regulator—the National Telecommunications Commission (NTC)—failed to enforce service quality obligations or the obligation for a cross-subsidy from the lucrative to the missionary segments that would have financed universal service, due mainly to absence of policy.\textsuperscript{16}

Despite the telecom sector’s poor performance, how was PLDT able to maintain a seemingly favored position? Why did its monopoly persist for so long? Apart from the fact that PLDT’s was a government-supported monopoly, was this a case of “the old system creat[ing] opportunities for rentseeking and politicking” (see Abad, 2005) on different fronts, ensuring that all the crucial decision centers shared in the largesse? Decades later, it would be revealed through a Supreme Court (SC) ruling that President Marcos himself

\textsuperscript{15} The NTC is the government agency tasked with regulating the telecoms industry. Although an independent regulatory agency, the NTC remains under the administrative supervision of the Department of Transportation and Communication (DOTC). With respect to its quasi-judicial functions, the NTC’s decisions are appealable to the Court of Appeals and the Supreme Court.

\textsuperscript{16} Personal communication with Jose Luis “Linggoy” Alcuaz, former NTC Commissioner, March 23 2010, Pasig City, Philippines.
was a majority owner of PLDT and acquired wealth illegally through dummies in PTIC and Prime Holdings, Inc. (PHI) (Yuchengco v. Sandiganbayan, 2006; Panaligan, 2006; Ruiz, 2007). In other words, it was part and parcel of the “political settlement” (see Parks & Cole, 2010) of that time.

1986-1992:
Changing Political Landscape, Changing Policy Direction

The business model that nourished PLDT started to unravel after Marcos was deposed in 1986 and democratic institutions were restored. The excesses of martial law and the economic crisis provided the impetus for the political upheaval leading to a mass uprising in 1986 that placed Corazon Aquino (1986-1992) in power (Intal & Llanto, 1998). In an attempt to rid the government of all traces of the Marcos regime, the Aquino administration went on a policy reversal binge. In 1987, a new Constitution was ratified. That same year, the Department of Transportation and Communications (DOTC) issued Department Circular No. 87-188 to rationalize and guide the orderly and competitive development of telecoms. For the first time in decades, the rules of the game had changed. It was no longer business-as-usual for PLDT (Coronel, 1998).

PLDT had to change tactics to stay on top. Decisionmaking was no longer centralized and a larger coalition of stakeholders—the regulator, bureaucrats, Congress, and the courts—had to be dealt with. The newly free press, where some crucial battles were fought, also introduced a big change. The market was now open to new players, but government officials, depending on their loyalties, had the power to either block or make entry difficult at two stages: first, by the awarding of a franchise by acts of Congress, and second, by getting a permit or license to operate—a Certificate of Public Convenience and Necessity (CPCN) or Provisional Authority (PA)—from the NTC. If all else fails, the courts could issue decisions that either barred or derailed operations of new players. But from the same government also came individuals who

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17 A mass uprising on the Epifanio Delos Santos Avenue (EDSA) to unseat President Marcos that began on February 21, 1986. Four days later, Marcos fled the country and Corazon Aquino, wife of recently assassinated oppositionist, Senator Benigno Aquino, Jr., was sworn in as president.

18 The 1987 Constitution added Congress’s mandate to regulate and prohibit monopolies in commercial mass media (Section 11 [1], Article XVI), which was under strict State control during the Marcos regime.

19 The DOTC is the primary policy, planning, programming, coordinating, implementing, regulating, and administrative agency of government focused on transportation and communications services.

20 A franchise is awarded by Congress (House of Representatives and Senate) by passing a Republic Act. Franchised telcos are called public telecommunications entities (PTEs).

21 The PA requires carriers to demonstrate their technical and financial capability to carry out a service. It describes the service, rate structure, and regulations governing that service (Serafica, 2001).
pushed for the initial reforms that would forever change the structure of Philippine telecoms.

IGF Licenses: Starting a Crack in the Dam (1989)

One such government reformer was then-NTC Commissioner Jose Luis “Linggoy” Alcuaz who, in October 1989, granted an IGF CPCN to Philippine Global Communications, Inc. (Philcom)\(^{22}\) and Eastern Telecommunications Philippines, Inc. (ETPI),\(^{23}\) something unheard of in a PLDT-dominated industry. But the politically savvy commissioner knew how to maneuver through the highly politicized regulatory system. It helped that Alcuaz was reputed to be aligned with Peping Cojuangco and Ramon Mitra, known to be PLDT allies. This, he felt, made PLDT let its guard down on his actions.\(^{24}\) Alcuaz first granted a license to Philcom, which was closely allied with PLDT.\(^{25}\) There was no opposition to Philcom’s license, and it was able to interconnect with PLDT with ease (G.R. No. 94374 (1995). The second grantee, ETPI, was seen by PLDT as a viable competitor. Thus, to obviate expected opposition, ETPI’s IGF license was tied to the installation of fixed lines.\(^{26}\) PLDT challenged the NTC’s action in court, and in August 1992, the SC ruled in the telco’s favor.\(^{27}\) However, the decision became controversial after reports came out suggesting that the high court’s ruling mirrored the PLDT counsel’s language and tone.\(^{28}\) Whether true or not, this led to the SC justice’s resignation days after and prompted a review of the ruling months later (Coronel, 1998). In February 1995, the SC reversed its original ruling, granted ETPI’s Motion for Reconsideration, and dismissed PLDT’s petition.\(^{29}\)

Although it was more the carelessness of the presiding judge that set off the reversal, this case highlighted the power of the judiciary to set the policy direction by either supporting or overturning the regulator. Looking back, Alcuaz also recounted how certain NTC officials

\(^{22}\) Philcom is a PTE founded by the Radio Corporation of America (RCA) in 1924, first awarded an international telecom license in 1965 and a 25-year nationwide telecoms franchise in 1994.


\(^{24}\) Personal communication with J. Alcuaz, March 23, 2010.

\(^{25}\) Philcom was reportedly 40 percent owned by Microwave Communications Inc. (MCI), a US company, and 60 percent by Filipinos, including the chairman of, and a lawyer for, PLDT (Henares, 2003; also see Salazar, 2007).

\(^{26}\) The NTC granted the IGF license to Eastern Telecom on November 14, 1989.

\(^{27}\) On August 27, 1992, the SC sided with PLDT’s arguments that an IGF is part of a telephone system. Therefore, ETPI first had to obtain the correct Congressional franchise before it could operate such a facility. See G.R. No. 94374 (February 21, 1995). The SC decision was penned by Justice Hugo Gutierrez.


\(^{29}\) See G.R. No. 94374 (February 21, 1995).
seemed to have acted on PLDT's behalf by attempting to block the entry of competitors.

Despite this rare regulatory win over a dominant industry player, President Aquino subsequently let go of Alcuaz. Some suspected that this was because of the IGF licensing, given that the Cojuangcos of PLDT were relatives of the President. However, Alcuaz himself denies this, saying that if Aquino had been protecting PLDT, she would not have appointed Josie Lichauco, a known PLDT critic, to replace him at the NTC. Alcuaz believes that he was fired due to his public pronouncements about a coup, several of which plagued the Aquino administration.

Breaking the Mobile Sector Open (1992)

Prior to 1988, PLDT dominated the CMTS or mobile sector. Its first cellular service, known as “car phones,” used expensive European analog technology that cost US$6,000 per unit. Naturally, these phones were unattractive to consumers and investors, a problem compounded by the lack of external financing.

But that scenario would change rapidly in the 1990s, as the CMTS market opened to new players. In early 1992, Congress granted franchises to new operators, one after another. Although already moot, DOTC issued Department Circular No. 92-269 or the Cellular Mobile Telephone System Policy in November 1992, to allow open entry to the mobile market, subject to the availability of frequency spectrum. At the tail end of Aquino’s term, a number of players were granted franchises.

However, most of the new entrants still depended on PLDT’s nationwide backbone to interconnect their cell sites, an advantage the incumbent used to its full extent. Competition was also stifled by the proprietary technologies used by various mobile carriers who initially offered costly analog services. Similar to the LEC market before, mobile subscriptions were exclusive to specific handsets provided by a carrier.

From Analog to Digital: Technology Upends the Mobile Sector

The adoption of new, appropriate technologies proved to be a crucial factor in engendering competition in telecoms. Islacom was the first to

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30 PLDT pioneer, Ramon Cojuangco, was a cousin of President Cory Aquino. His son, Antonio “Tony Boy” Cojuangco, succeeded him as PLDT chair after his death in 1984.

31 Personal communication with J. Alcuaz, March 23 2010.

32 A similar U.S. phone cost around $1,500.

33 Personal communication with N. Virata, March 2, 2010.
introduce GSM (Global System for Mobile Communications) digital technology capable of short messaging service (SMS) or “texting”. Globe, which bought Islacom, offered free intra-network texting, which attracted many new subscribers. Other GSM-enabled mobile carriers soon followed suit. Texting quickly gained mass popularity, replacing expensive voice calls and radio paging, then dominated by Easycall and Pocketbell.

Overview of Philippine Cellular Mobile Carriers and Their Franchises

Pilipino Telephone Corporation (Piltel), which incorporated in 1968 and initially operated LEC services, began offering analog mobile services in March 1991 under the Mobiline brand. On March 27, 1992, it was given a Congressional franchise, amending its original franchise to allow it to provide various types of telecommunications services. Piltel became a subsidiary of PLDT in 1980.

Smart Communications, Inc. (Smart) was established by technology entrepreneurs in 1991 and awarded a franchise for “integrated telecommunications, computer, and electronic services” on March 27, 1992.

Globe Telecom, Inc. (Globe) began operating wireless long-distance message services in the Philippines until it was sold to the Ayala Corporation in 1974. On March 19, 1992, a merger between Globe and the Clavecilla Radio Corporation, a domestic telco, was approved, which allowed the transfer of the latter’s franchise to the former.

Isla Communications Inc. (Islacom) was incorporated in 1990 and awarded a franchise for “mobile telecommunications” on April 10, 1992. In 2001, it became a 100-percent owned subsidiary of Globe.

Express Telecommunications Company, Inc. (ETCI) or Extelcom was granted its first franchise in 1958 as Felix Alberto and Company, Inc. to establish radio stations for domestic and transoceanic communications. Its franchise was amended in 2009 to include wire and wireless telecoms systems.

See Appendix 5-A for more company detail and the recent history of mobile carriers.
Companies that failed to adapt to technological advancements had difficulty catching up. Smart first used the less capital-intensive analog-based technology, then gradually shifted to GSM within three to four years. This delayed shift, however, also created problems for Smart in terms of interconnecting with Globe, which led the texting boom. By the time Smart launched its GSM service, subscribers were already hooked on Globe’s SMS. Smart experienced some difficulty in enticing Globe subscribers to switch (Serafica, 2002), and it would take some time to interconnect with Globe.

PLDT/Piltel, on the other hand, clung to its fixed-line business and assigned mobile phones to the luxury niche market, which estimated no more than 10,000 customers. Using analog AMPS (Advanced Mobile Phone System), Piltel suffered terribly when cellular fraud and cloning became rampant. It later shifted to the U.S.-standard CDMA (Code Digital Multiple Access), which, although a digital technology, could not offer SMS.

Despite the initial snag in interconnection, new players were in and ready to invest in digital mobile technology for mass communication. This juncture presented a window of opportunity to usher in real competition as it gave new players, like Smart and Globe, a good break to expand their business. The granting of multiple mobile licenses also shifted the lucrative segments—from IGF and IXC to CMTS. The paradigm shift resulted in the immediate response of the market. And when disruptive technology was introduced, competition became irreversible. However, as the next sections will show, support from all fronts—the executive, legislative, and judiciary—was necessary to set the reform in stone, tame the industry players, and make competition viable.


The next president, Fidel V. Ramos (1992-1998), retained the pro-competition stance started by Aquino, who endorsed him in the presidential election. Despite the hostile political environment, Ramos, a former military man, was able to implement his vision to break up monopolies (Ramos, 2001) and create a level playing field, using various tactics in and outside of government. In Congress, Ramos gained the support of the speaker of the House

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34 Personal communication with Orlando Vea, April 8, 2010.
37 Only two of the 24 senators (one of them his sister) and 38 of the 205 congressmen belonged to Ramos’ party. See Bernardo & Tang (2008).
of Representatives (HOR), which allowed him to obtain the Lower House’s backing of his proposals (Bernardo & Tang, 2008). Within Malacañang, it was Ramos’s national security adviser, General Jose T. Almonte, who led a faction that pushed for deregulation in key sectors. The aim was to dislodge what Almonte calls “East Asia’s richest, most durable and least socially responsible” entrenched elite (Coronel, 1998; Tesoro & Lopez, 2000). Armed with the belief that “only by cutting down its power to monopolize markets can [the oligarchy be forced] to compete and innovate” (Almonte, 2005), Almonte designed Ramos’s reform program, which included the dismantling of the telecoms monopoly.

In civil society, Ramos’s government encouraged the formation of the Movement for Reliable and Efficient Phone Service (MORE Phones), a broad coalition formed in 1993 that gave a face to the disorganized public uproar against PLDT’s poor performance and drummed up the consumer clamor for better telecoms services. The coalition organized public rallies, issued press statements, and attended public hearings in both Houses of Congress. But most of all, it had the backing of the “People’s 2000” network, an Almonte brainchild organized through Serafin Talisayon, a professor at the University of the Philippines (Salazar, 2007).

Simultaneously, the government began exerting pressure on PLDT by naming six representatives to the company’s 11-member board, made possible through the sequestration of Marcos-owned assets by the Philippine Commission on Good Governance (PCGG), then chaired by Magtanggol Gunigundo, an Almonte recommendee. Cojuangco, himself adept at political skirmishes, reportedly created alliances within Malacañang and pitted them against the Almonte group. In the end, a government takeover of PLDT was abandoned and Cojuangco retained his company. In return, Cojuangco supported Ramos’s government and reportedly contributed to his Lakas Party (Coronel, 1998).

The impetus for the executive-led policy reform came in 1992, when Singapore’s Senior Minister Lee Kuan Yew, during a speech in Manila, referred to a joke that, in the Philippines, “98 percent of the population are waiting for a telephone, and the other 2 percent for a dial tone.” Ramos, only a few

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38 The MORE Phones coalition included: the Church-Based Consumer Movement, the Institute for Popular Democracy, the Popular Education for People Empowerment, the Education for Life Foundation, the Women’s Action Network for Development, the Movement for Popular Democracy, the Institute on Church and Social Issues, the Cooperative Foundation Philippines, Inc., Pandayan Para sa Sosyalistang Pilipinas, Women’s Action, the Coalition of Youth Organizations, the Asian Institute of Management, the Freedom from Debt Coalition, the Lean Alejandro Foundation, and the National Economic Protectionism Association (Philippine Graphics, July 8 1994, p. 34, cited in Salazar, 2007).

months into the job, responded by issuing two executive orders (EOs): (1) EO 59, mandating interconnection among local telcos and lowering telephone subscription rates for consumers; and (2) EO 109, mandating the improvement of LEC service and establishing the Service Area Scheme (SAS).\(^{40}\) Although the SAS did increase installed fixed-line teledensity—from 784,000 in 1993 to 6.6 million in 1998—(see Figure 5.1), the universal access program hurt the new telcos. It adopted a backward, technology-specific approach, forcing even CMTS operators to invest in fixed-line technology. Installed lines also did not translate into actual subscription, since low-income rural areas could not afford the service. In the end, the SAS was considered inefficient and unsound, and abandoned in 2002.\(^{41}\)

Figure 5.1 Philippine Fixed-line Market, 1998.

RA 7925: Setting the Reform in Stone

Although the executive orders initially opened the door to liberalization, the reforms needed to be solidified through law. In Congress, allies were

\(^{40}\) The SAS divided the country into 11 geographical service zones and required new IGF and CMTS operators to install a minimum of 300,000 and 400,000 local telephones in their respective areas within five years (later reduced to three years). The idea was for the profitable IGF and CMTS operations to subsidize the sluggish fixed-line segment, prioritizing underserved and unserved areas based on a 10:1 urban-rural ratio.

\(^{41}\) By 2000, it was apparent that a number of operators had failed to comply with their SAS obligations: some completed roll-out, some only partially, while others were unable to start at all. The SAS was abandoned in 2002 (NTC, 2002 cited in Mirandilla, 2007).
needed to navigate the jungle of constantly realigning political and economic self-interests over a protracted period of time. The legislation process started in the Senate during Senator John “Sonny” Osmeña’s reign as chairman of the Committee on Public Services (1987–1995). In 1989, Osmeña commissioned the Economic Development Foundation (EDF) to prepare his legislative agenda for all public utilities. Cesar Sarino of EDF assembled a panel of experts into a policy center to study four sectors: transportation, telecommunications, energy, and water. After nearly a year of work, four draft bills were completed and placed in the legislative pipeline.

The legislative mill proceeded at a snail’s pace for the next six years. By 1995, only one member of the panel of experts, Rene S. Santiago, remained to shepherd the passage of the four bills through Congress. The telecoms bill filed in the Upper House became known as Senate Bill (SB) No. 422 (or SB 422), which the telecoms industry welcomed as a better alternative to the obsolete and confining framework of Commonwealth Act No. 146 or the Public Service Act of 1936.

What follows is a recounting of Santiago’s experience in backstopping the telecoms bill in Congress until it became law (Personal communication, January to June 2010).

Policy Entrepreneurship: Passage of RA 7925

The Philippine Electronics and Telecommunications Federation (PETEF), composed of service providers, equipment suppliers, and professional groups, and the Philippine Computer Society (PCS), which perceived the eventual convergence of information and communications technology (ICT), participated actively in the finalization of SB 422. The Philippine Association of Private Telephone Companies (PAPTELCO), the association of local exchange carriers, was a silent participant. A lawyers’ group specializing in telecoms regulatory laws also got involved. Although there were public hearings, most of the discussions occurred at industry dialogues and policy debates arranged by either the PETEF or the PCS. The DOTC also wanted to influence the final mold of SB 422, based on its 20-year National Telecommunications Development Plan prepared with support from the Canadian International Development Agency (CIDA).

The bill underwent several drafts and was re-filed as SB 1353. Although ready for floor deliberations in 1992, Osmeña, a seasoned legislator, delayed

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42 Rene Santiago is a civil engineer by profession who specializes in transportation and utilities.
43 Prior to 1995, telecommunications was lumped with other public utilities, like transportation, ice plant, and other industries, under the Public Service Act of 1936.
the bill’s second and third readings up until the session’s closing month in 1995. This was done to thwart lengthy floor debates on a very technical subject that would only delay the process. The final version that came out in the committee report was also made shorter. A parallel committee at the HoR followed the Senate’s move, thus making the eventual task of the bicameral committee (to reconcile the Senate and House versions) easier.

PLDT and a few other big carriers lobbied behind the scene for or against certain provisions, with help from their allies in Congress. According to one account, Islacom became instrumental, although unwittingly so, in shaping the law when it got caught in the sibling rivalry between Senator Sonny Osmeña and former Cebu Governor Lito Osmeña. Islacom’s owners, the Delgados, were friends with the Osmeñas. However, Islacom’s owners reportedly developed a close relationship with Lito, defeated vice-presidential candidate of Ramos in 1992, who was raising funds for the Lakas party at that time. Sonny, a known PLDT ally, also suspected that his brother controlled the heads of the NTC and the DOTC. In an interview, Sonny admitted that, to give Lito and his friends a difficult time, he inserted two provisions in the telecoms bill for (a) shortening the local exchange service roll-out period from five to three years, thereby giving new market players (such as Islacom) less time to comply with the requirement; and (b) making interconnection agreements be negotiated among concerned parties rather than facilitated by the NTC, thereby depriving the Commission of the mandate to impose interconnection and bargaining with players involving regulatory decisions (Coronel, 1998).

In March 1995, Republic Act No. 7925 (or RA 7925) was finally enacted into law as the Public Telecommunications Policy Act of the Philippines. Although peppered with provisions influenced and inserted by certain private interests, the law can be generally considered a game-changer. See Appendix 5-B for more discussion of key provisions.

The executive and congressional enactments changed the rules of the game that PLDT used to dominate and win. In the span of five years, these policy frameworks, although not sufficient by themselves, spurred the initial growth of the telecoms industry. See Table 5.1.
Mobile and Pre-paid: Shaking the Status Quo, Changing the Business Model

Prior to telecoms liberalization, there were two default mindsets: (a) only PLDT can have a national backbone and an IGF, therefore new players had to ride on PLDT’s infrastructure; and (b) business is in Metro Manila and urban areas. This old thinking benefited the incumbent and stifled competition and universal access. Technology entrepreneur Orlando Vea said they saw things differently when they first put up Smart Communications. They built their own backbone and invested in both the cities and provinces. This defiant attitude paid off, and Smart’s mobile phone business took off.

Unlike PLDT then, new players Smart and Globe were aggressive in developing CMTS into a mass market by lowering the average revenue per unit (ARPU) to increase their subscriber base. Increased subscription lowered unit cost, which enabled Smart and Globe to offer even lower cost packages that, in turn, enticed more customers. Apart from the low unit cost, it was pre-paid services introduced in 1999 that had sales skyrocketing. By 2002, mobile had already overtaken fixed-line teledensity worldwide (ITU, 2001; 2003). Smart began offering pre-paid mobile services through top-up cards and then electronic loading service via SMS in May 2003. These “telecoms in sachets” quickly gained mass popularity and spawned new business opportunities for the common Filipino (Rimando, 2004).

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Table 5.1. Number of Authorized Carriers (1992-1998)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Local Exchange Carrier (LEC)</td>
<td>45</td>
<td>49</td>
<td>60</td>
<td>67</td>
<td>74</td>
<td>76</td>
<td>76</td>
</tr>
<tr>
<td>Cellular Mobile Telephone Service (CMTS)</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Paging Service</td>
<td>6</td>
<td>6</td>
<td>10</td>
<td>11</td>
<td>14</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Public Trunk Repeater Service</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>International Gateway Facility</td>
<td>3</td>
<td>5</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Satellite Service</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>International Record Carrier</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Domestic Record Carrier</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
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<tr>
<td>Very Small Aperture Terminal</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>4</td>
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<tr>
<td>Public Coastal Station</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Radiotelephone</td>
<td>4</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
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<tr>
<td>Value-added Service</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>27</td>
<td>47</td>
<td>70</td>
</tr>
</tbody>
</table>


45 Personal communication with Orlando Vea, April 8, 2010.

It became apparent, however, that PLDT had to start addressing the challenge posed by the new players. With more options, consumer demand for cheaper and better service was at its peak. PLDT was now sharing the telecoms pie with other companies, armed to compete, who wanted more than a nibble. The succeeding regulatory and court decisions would further shape and solidify the new status quo. But the subsequent changes in PLDT’s ownership and management would also cause an upheaval in the company and transform its overall business strategy.

In 1999, the First Pacific Company, Ltd (FPC), a company founded by Manuel V. Pangilinan that also served as Smart’s first investor, started buying

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46 First Pacific Company, Ltd is a Hong Kong-based investment and management company.
into PLDT through its Philippine affiliate, Metro Pacific Corporation (MPC), by acquiring US$749 million (27.4 percent voting interest).\footnote{Manuel V. Pangilinan, better known as Manny Pangilinan, served as FPC’s managing director until 1999 and as president and CEO of PLDT from November 1998 to February 2004. See http://www.firstpacific.com/admin/upload/media/press/ep981124.pdf.} In March 2000, MPC completed the infusion of its 38.3 percent ownership in Smart into PLDT in exchange for 8.0 percent or 13.4 million new shares of PLDT. The PLDT-MPC share-swap agreement eventually made Smart a 100-percent-owned subsidiary of PLDT (\textit{AsiaPulse News}, 2000). Pangilinan took over as PLDT’s president and CEO from November 1998 to February 2004, after which he was appointed chairman of the board. This buyout dislodged Cojuangco from the position he had inherited from his father. In 2007, Cojuangco quit as director, barely a month after the \textit{Sandiganbayan}, a special anti-graft court, awarded his PLDT shares, considered as ill-gotten, to the Philippine government (De Leon, 2007). After several decades, PLDT was now owned and controlled by new blood not related to the old elites.

\textbf{Under Pressure: The Smart-Globe, PLDT-Globe Interconnection Dispute}

The next arduous battle was interconnection among the fast-growing CMTS carriers, which served as a litmus test for the NTC’s regulatory and quasi-judicial powers in a competitive environment. The courts of law began to show muscle as the final arbiter, as they could overrule the NTC. But in the end, the intervention of a powerful president served as the tipping point that finally led to the signing of an interconnection agreement between Smart and Globe, the new dominant mobile companies (Mirandilla, 2007).

The dispute began when new players started getting a good piece of the telecoms pie. Being the first to use GSM and to offer free intra-network SMS, Globe’s business was propelled by the texting boom. Smart, which adopted GSM much later, attempted to negotiate for an SMS interconnection with Globe. Allegedly, Globe refused to grant Smart’s request, making it impossible for Smart and Globe subscribers to communicate with each other.

On June 4, 1999, Smart filed a complaint with the NTC, requesting an order for the immediate interconnection of Smart’s and Globe’s GSM networks. On July 19, 1999, the NTC issued an order, noting that both Smart and Globe were equally blameworthy for their lack of cooperation and for having “unduly maneuvered the situation into the present impasse” (G.R. No. 143964, 2004). Since SMS falls within the definition of VAS or “enhanced service” under Memorandum Circular No. 8-9-95 or MC 8-9-95, the Implementing Rules and
Regulations [IRRs] of RA 7925), the NTC held that SMS interconnection was mandatory pursuant to EO 59. The NTC also declared that both carriers violated MC 8-9-95, requiring PTEs to secure NTC approval before offering VAS (Section 420 [f]). Globe filed a petition with the Court of Appeals (CA), which, on August 31, 1999, issued a temporary restraining order (TRO) preventing the NTC from executing its order (Globe Telecom, Inc., 1999).

The fight became uglier by the day. PLDT accused Globe of misrepresenting calls to avoid paying correct access charges. In response, PLDT allegedly restricted Globe’s interconnection with its landlines, which resulted in frequent busy signals when Globe mobile phones called PLDT landlines. Both PLDT and Globe published full-page advertisements in local newspapers to explain their respective positions. Reports quoted PLDT officials as saying, “unstable signaling systems due to illegal traffic was (sic) the reason for the interconnection problems” (Reuters, 1999). Globe complained and asked the NTC to intervene and resolve the standoff (Reyes, 1999).

Amid public clamor, and personally irked by the interconnection problem, President Joseph Ejercito Estrada (1998-2001) played “mediator” between the two telecoms giants. On November 16, 1999, Estrada called Pangilinan of PLDT and Jaime Augusto Zobel de Ayala of Globe to a meeting in Malacañang (Mangahas, 2002). Both Pangilinan and Ayala were reportedly caught flat-footed in the press conference-style meeting, where Estrada asked the two to resolve the interconnection impasse “as soon as possible” in front of the media (Inquirer.net, 1999). In the end, Globe reportedly agreed to interconnect with the SMS of PLDT’s sister company, Smart. In exchange, PLDT promised “to deliver (stop blocking) more interconnection trunks to facilitate Globe traffic entry into the PLDT network” (Inquirer.net, 1999). Days later, the CA promulgated a decision affirming the NTC Order and taking note of the interesting twist of events. “On the same day, Globe and Smart voluntarily agreed to interconnect their respective SMS systems” (G.R. No. 143964, 2004).

Here, the immense power of the Executive was manifested. It took only one meeting with the president to avoid the often costly, tedious, and protracted court battle.

\[48\] See NTC (1995).
\[49\] For details, see G.R. No. 143964 (July 26, 2004).
\[50\] PLDT owned 40 percent of the 6.6 million installed landlines, as of December 2000 (Serafica, 2001, 174).
\[51\] Tony Boy Cojuangco quit PLDT after losing his shares, held through PTIC, to the government (De Leon, 2007).
\[52\] Justice A. Tuquero penned the decision. See G.R. No. 143964 (July 26, 2004).
On December 21, 1999, however, Globe filed a Motion for Partial Reconsideration with the CA of the NTC’s finding about Globe’s lack of authority to provide SMS and the NTC’s imposition of a fine. When the CA denied this motion, Globe elevated the problem to the SC. On June 26, 2004, the SC reversed the CA’s decision and set aside the NTC Order, which it called “discriminatory and arbitrary” and “issued with grave abuse of discretion” (G.R. No. 143964, 2004).

This case shows that the courts can influence competition both ways—stifle it when decisions seem to be in favor of dominant parties and promote it when appropriately used by market players to police each other or an erring regulator.

The following decade saw tremendous growth in the mobile sector, led by SMS and pre-paid service. As of the end of 2010, there were 86.15 million mobile subscriptions, most of which (97-percent average) were prepaid (PLDT, 2010; Globe, 2010; Digitel, 2010). The changes brought by mobile phones were reflected in Filipinos’ personal consumption expenditure. In 2003, expenditure for transportation and communication grew more than twice (11.7 percent) compared to that for food (4.2 percent), and continues to account for higher expenditure compared to clothing, utilities, and household operations.53 SMS, now a paid service, is so widely used that the Philippines has earned the title of “world’s texting capital” (Mendes, et al, 2007). Despite having relative low monthly ARPU54 (GSM Association, 2006), Philippine mobile operators have managed to thrive and be profitable (see Figure 5.3).

Today, mobile carriers continue to compete for the cheapest SMS and load credits, making the mobile phone the Philippines’ default universal access tool.

Analysis: What Really Breached the Dam?

Not one, but a combination of several elements and developments produced the lethal blow that broke the telecoms monopoly, unleashed the power of competition, and changed the industry’s business model irreversibly.

Reform began when the Aquino administration opened the telecoms market to new players. Although no dramatic paradigm shift, it eventually paved the way for damaging changes. Under Aquino, the old elite still managed to maintain a large part of its control through familial and political ties with

54 Prepaid monthly ARPU in the Philippines was at US$5.50; it averaged US$1.3 in Malaysia and US$8.50 in Thailand.
Figure 5.3 Timeline of Policy Issuances, Market Developments, and Growth in Telecom, 1992-2007.
Sources: NTC; ITU; various news sources.
government (Esfahani, 1994). Market entry and the awarding of franchises remained highly politicized and depended on negotiations with the regulator and Congress. The franchise of Smart, for example, sailed quietly through Congress because its listed owners did not belong to any political or economic elite, which might have reflected the status quo players’ thinking: small players can’t hurt. In contrast, Globe, identified with the Ayalas, one of the richest Filipino families, had some rough sailing, and its application languished for several years. Nevertheless, the entry of new players introduced changes in the telecoms market structure and an opportunity to challenge the incumbent.

**Breaking the old thinking and challenging the status quo can bring reform.** The pro-reform regulator and new players went against the default mindset that telecoms relied on PLDT’s infrastructure. The NTC granted IGF licenses to two operators despite PLDT’s opposition. Smart built its own network instead of relying on PLDT. Smart and Globe aggressively developed the mobile phone for the mass market, unlike PLDT, which initially saw it as a luxury market. Texting and pre-paid mobile services replaced the expensive voice calls and monthly subscription costs, effectively ending the obsession with fixed lines.

**Executive action under Ramos, backed by a vision, a supportive legislative and judiciary, and politically savvy policy entrepreneurs, made reform more entrenched.** Ramos, together with presidential troubleshooter Almonte, championed reform in the executive branch first through EOs and nurtured them through Congress and the Judiciary. Gaining support from civil society was also crucial to help demonstrate public demand for reform.

**New, appropriate technologies and business strategy were crucial factors in engendering competition.** Some companies failed to adapt to technological advancements in a timely manner. Others lacked foresight in making business strategy decisions. They retained outmoded and expensive technology believing that one’s dominant position will not be toppled; that subscribers will not jump to other networks; and that no new market player, able to compete and bring in new technology, can be *that* disruptive. It was under new management that PLDT jumped to invest in GSM mobile phones.

Below is a timeline of events (Table 5.2) that highlight the political and economic setting in which developments in the telecoms sector took place (also see Figure 5.3).

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55 Personal communication with Rene Santiago, January to June 2010.
<table>
<thead>
<tr>
<th>Year</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>Aquino starts reversal of Marcos policies; Congress enacts new Philippine Constitution, which provides overall framework for government to regulate or prohibit monopolies in the public interest</td>
</tr>
<tr>
<td>1989</td>
<td>NTC approves application of Philcom and ETPI for license to operate an IGF; Aquino fires NTC Commissioner Alcuaz.</td>
</tr>
<tr>
<td>1992</td>
<td>Congress grants franchise to Islacom, Globe, and Smart; Ramos is endorsed by Aquino, wins presidential election; Lee Kuan Yew visits Manila, makes remarks about poor telecoms service</td>
</tr>
<tr>
<td>1993</td>
<td>Ramos issues EOs 59 and 109; Almonte leads plot to break up telecoms monopoly</td>
</tr>
<tr>
<td>1994</td>
<td>Islacom introduces SMS-capable GSM technology</td>
</tr>
<tr>
<td>1995</td>
<td>Congress passes RA 7925 or the Public Telecommunications Act</td>
</tr>
<tr>
<td>1999</td>
<td>Mobile and landline interconnection disputes reach crisis level; Estrada calls PLDT/Smart and Globe to a meeting; Smart and Globe signs SMS interconnection agreement; PLDT and Globe resolve call blockage dispute; Globe introduces pre-paid mobile service</td>
</tr>
<tr>
<td>2000</td>
<td>Mobile phone overtakes fixed-line teledensity</td>
</tr>
<tr>
<td>2002</td>
<td>Congress grants a franchise to the Digitel Telecommunications Philippines, Inc. (Digitel) to construct, install, establish, operate, and maintain telecommunications systems.</td>
</tr>
<tr>
<td>2003</td>
<td>Digitel launches Sun Cellular, which offers 24/7 unlimited SMS; Smart and Globe lodge complaint with NTC; NTC dismisses complaint; Smart and Globe offer a similar service</td>
</tr>
</tbody>
</table>

*Source: Compiled by author.*
New developments: PLDT-Digitel Merger

On March 29, 2011, JG Summit, which owns 47.4 percent of Digitel, executed a Sale and Purchase Agreement with PLDT for the sale of its investments in shares of stock in Digitel. If unquestioned, the transaction—estimated at ₱74.1 billion that accounts for 51.5 percent of shares from Digitel—is intended to be completed on June 30, 2011 (PLDT, 2011). The merger has raised fears of an impending monopoly by the old incumbent and faces opposition, led by rival Globe. After a quick probe in June 2011, the Senate indicated that the deal does not need Congressional approval and passed the ball to the NTC (Burgonio, 2011). The merger is also expected to be reviewed by the Securities and Exchange Commission (SEC). Why the need for such regulation? Because telecommunications is a public utility that provides an important service to citizens. Therefore, it is the government’s mandate to look into, and guard against, any activities that may negatively affect the general welfare. And since the participation of new players has created such a huge positive impact on the telecoms sector, mergers of companies and/or the acquisition of smaller players may stunt, if not reverse, the benefits of market entry. It is, however, crucial that government exercise prudence in examining whether and how to impose regulation on what Congress already declared as a legitimate transaction. Will the merger result in more efficient service, as PLDT and Digitel share their infrastructure and expand their reach? Will the absence of a third player result in easier collusion and reversion to a duopoly? Or will the merger once again give PLDT the utmost leverage to influence the rules of the game, as it did in the past?

Conclusions

The telecoms sector is proof that reforms can happen even in a country where institutions are weak, political patronage is rampant, and vested interests often overshadow the general welfare. Reform was initiated with entry deregulation that, in time, radically changed the game. Several key elements put together helped break the status quo—policy instruments that changed the market structure, a president with a vision or personal stake in the reform, alliances with influential decisionmakers in Congress and the judiciary, and entry of new market players with the muscle to invest and compete with the incumbent.

Although the political and economic crises left by the Marcos regime created public clamor to reject the old ways, it was the realigning of public and private interests, facilitated by the two successive administrations of Aquino and Ramos, which helped shape the fate of telecoms. The demand for better
service, exposed by mass media and worked by maverick and politically savvy officials, like Alcuaz and Lichauco, and advisers, like Almonte, contributed to pushing the reform forward. There were also policy entrepreneurs, like Senator Osmeña and his consultant, Santiago, who carried the ball through the labyrinth of Congress. Finally, mobilizing the disorganized public through informed consumer groups helped build a more solid, legitimate foundation for the reform advocacy.

The mobile sector is a success story of government-initiated entry deregulation and market-driven reform. A strong president, spending political capital wisely on different fronts, introduced a new policy environment that allowed new players and mandated interconnection. Meanwhile, the private sector introduced innovative new technologies and mass-market retail-pricing schemes that attracted huge demand and investment. This combination created the paradigm shift necessary to change the market structure and business model, thus making reform irreversible.

Finally, the entry of new players did not only facilitate competition in the same market; it also created new markets. The new players adopted GSM technology and offered prepaid, which gave an alternative to the costly fixed lines and refocused investments on the mobile sector. This technology and retail model shift spawned a wide range of products and services, which created a whole new set of business opportunities. The new business strategy now targets the mass population, the so-called “bottom of the pyramid,” who were shunned in the old days. With ever-growing and evolving options, the interest of the telcos now rests on their ability to satisfy the demand of their market, which comprises almost 90 million Filipinos, well aware of the limitless possibilities and constantly demanding better and cheaper telecoms services.

References


Arcibal, C. M. (2009, August 26). Growing mobile subscribers to boost SMS-


Chapter 5

Resources/Mobileovertakes_Paper.pdf.


The lack of secure property rights is one of the major factors that hampers Philippine peace and economic development. The Property Rights for Economic Progress project, a joint initiative between The Asia Foundation and USAID, focuses on the implementation of the Residential Free Patent Law. The pilot site is in Cebu City.

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