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Philippine Institute for Development Studies
Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

Philippine Competition Policy in Perspective

Erlinda M. Medalla

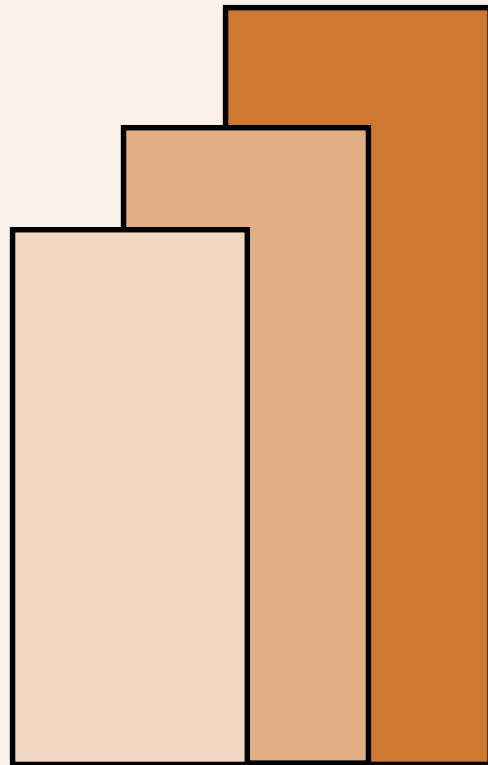
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Philippine Competition Policy in Perspective

Abstract

Although justification for competition policies is well founded in the economic literature, there is a need to understand their implications more fully, brought about not just by what is happening in the global arena but even more importantly by various comprehensive policy reforms that have been implemented in recent years. And while there may be a general consensus that “competition is good,” there is vagueness in the minds of many and uncertainty about the need for competition policy and how competition should be enforced. This paper aims to contribute to the growing discussion on how to proceed from here. Towards this end, the paper first outlines the framework for competition policy in the Philippine setting. It then attempts to assess the state of competition in the Philippines. What has the Philippines done along the framework of competition policy and what has been the impact on the state of competition in the different sectors of the Philippine economy? A general assessment is made across the different sectors of the economy by looking at what major factors are present that could determine the state of competition in the different sectors. It also looks at policy reforms that have been implemented to improve the state of competition in these sectors. Finally, in conclusion, the paper addresses the issues that confront competition policy and suggests possible approaches towards formulating and implementing a workable competition policy for the Philippines.

Keywords: competition, competition policy, market power, government policies and regulation, reforms

Philippine Competition Policy in Perspective

Erlinda M. Medalla

1. Introduction

Competition as an economic concept is as old as the history of economic thought itself, with its place in economic theory firmly entrenched early on. However, during the past decade which ushered in the age of globalization, new and increasing attention has been focused on competition in policy discussions around the world. “Competition” then became coupled as a matter of course with “policy.” It is not that radically new concepts are being formulated. Rather, a growing need for new approaches in “competition policy” is being felt because of its linkages with international trade that have become highlighted with the reduction of trade barriers around the globe.

From the Philippine perspective, however, there also arises a growing need to understand its implications more fully, brought about not just by what is happening in the global arena but even more importantly by various comprehensive policy reforms that have been implemented by the government during the past decade or so. The reforms starting in the mid 1980s have done much to move the economy toward a more market friendly policy environment. Trade reforms, banking reforms, foreign investment policy reforms, deregulation, privatization, and the policy thrusts in general have explicitly and implicitly recognized the benefits from competition. It is thus timely to take stock of where we are and examine the state of competition and competition policy in the Philippines to help sustain and maximize benefits from the reforms.

The Philippine Institute for Development Studies (PIDS), mainly through the Philippine APEC Study Center Network (PASCN), has been undertaking a series of studies on competition policy in recognition of this need for a new perspective, a new way of understanding the issues, and hopefully a better approach to reforming economic policies. The main objective of this paper is directly in line with this concern. The paper draws heavily from the findings of the PIDS-PASCN studies, particularly the integrative chapter by the author, in the forthcoming volume, *Toward a National Competition Policy for the Philippines*.

This paper has four main sections. The first outlines the framework for competition policy to better understand the fundamentals that guide it. Specifically, it defines what would be the role, objectives and tasks of competition policy and identifies the elements that are needed to carry out these tasks. The next section then attempts to assess the state of competition in the Philippines. What has the Philippines done along the framework of competition policy and what has been the impact on the state of competition in the different sectors of the Philippine economy? A general assessment is made across the different sectors of the economy by looking at what major factors are present that could determine the state of competition in the different sectors. It also looks at policy reforms that have been implemented to improve the state of competition in these sectors. The paper also culls from the major findings and conclusions of the sector studies on competition in the PIDS-PASCN aforementioned volume to derive implications on what needs to be done. Finally, in conclusion, the last section addresses the issues that confront

competition policy and suggests possible approaches toward formulating and implementing a workable competition policy for the Philippines.

2. Suggested Framework for Competition Policy

Resources are scarce. This is true for rich as well as poor countries, developing as well as developed economies. And economics is mainly about maximizing benefits given scarce resources, where the role of competition is necessarily central. With this in mind, this section reviews the major concepts involved and suggests a framework for competition policy for the Philippines.

Almost everyone has an idea of what is competition. When one thinks of competition, one envisions a number of sellers/producers competing among each other to sell the most products to the most number of consumers. In this context, there is active rivalry between firms trying to outdo each other in terms of price and/or quality of product or service they offer.

Such a competitive situation may also be effected by "market contestability." That is, competition comes not only from actual firms or sellers already in the market but also from firms or sellers that could enter and "contest" the market. In other words, when the market is contestable,¹ the threat of entry is enough to provide competition. Monopolists and oligopolists would behave like "perfect" competitors when faced with threat of new entrants into the market. (Baumol and Willig, 1981)

In general, a competitive setting is expected to lead to optimum welfare, "orchestrating" resources to go where they would yield best results like *Invisible Hands* as postulated by Adam Smith. If there is competition, whether coming from existing rival firms or threat of new entrants into the market, the seller or firm must make sure that he produces the best quality of products at least cost and sell his product at the price dictated by the market. Otherwise, he loses his clientele and his market share to some other seller or firms who could do better. In other words, the producer/supplier has no "market power."² That is, he cannot manipulate prices and extract excess profits (rents). And (as former Tariff Commissioner Abad puts it), he "profits with honor." The end result is optimized welfare for all.

Thus, the benefits from competition are easy to comprehend. In sum, competition promotes efficiency and consumer welfare. It promotes efficiency not only in terms of constraining firms to produce more with less (technical efficiency) but also in terms of inducing better resource allocation (allocative efficiency). Allocative efficiency in a competitive setting is encouraged because producers and investors receive the correct market price signals which help direct investments to where there are highest returns. In other words, competition acts as an efficient market regulator that limits the market power

¹ A necessary condition for market contestability to exist is, of course, that there are no barriers to entry.

² Market power is the ability of the firm to dictate prices and the quantity supplied. In the case of a monopoly, the firm's market power, or how much it can actually increase prices, depends on how inelastic is the demand for the product. In a perfectly competitive situation, individual firms face perfectly elastic demand and prices it cannot manipulate. Limiting output would simply let other firms take over supply.

of any individual or group of individuals and induces production and consumption at optimal levels and at least costs. As such, the highest overall welfare is made possible, reflected in wider consumer choices, lower prices and better quality of products.³ But perhaps even more important are the dynamic gains from innovation that competition fosters and the flexibility that it develops, on the whole enabling the economy to cope better with the ever changing environment.

Aside from these direct benefits, another important and positive implication of competition is on equity. Competition, by reducing, if not eliminating, the economic power of certain sectors and providing the best product for the best price, intrinsically advances equity objectives.

2.1 The Role of Competition Policy

Of course, increasing competition may not always be enough to ensure that the market would be able to perform its role of allocating resources efficiently. There are instances of genuine market failures that may require some limitation in competition--when more competition could even cause inefficiencies. In addition, some “rules” or regulation of the market (competition rules) may be needed to take the place of the competitive process that the market fails to bring about. To illustrate, the most notable of these cases of market failures is the so-called natural monopoly. This is where the product or service is nontradable (*i. e.*, cannot be imported or exported) and the market is too small to be optimally served by more than one firm. Allowing another firm to be established only implies duplication and waste of scarce resources. At the same time, such a monopoly may be an “essential facility” which is “essential” for the survival of rival firms using the facility. Hence, not only is it necessary to allow a monopoly to exist. In addition, there is a need for “competition rules” on access to the essential facility to assist the market and substitute for the subsequent lack of a competitive process of allocation.

There are also cases when seemingly anticompetitive set ups (high concentration, mergers and acquisitions leading to few firms in the market) have pro-competitive effects (efficiency gains), e.g. where there are economies of scope, synergies, and transaction cost economies. Again, this would require some “deviation” from the general competition policy “rule” of discouraging market concentration.⁴

In short, competition is not the end in itself. Instead, competition policy should be one that promotes competition as long as it encourages efficiency and growth. In addition, if possible, competition policy should also be made consistent with social objectives. These principles are, of course, easier said than actually applied in practice. Different objectives could lead to conflicts and the resulting trade offs are often difficult to resolve.

These considerations suggest what should be the primary role of competition policy. **That is to safeguard, protect and promote competition and the competitive process and ensure that the market is able to function effectively and bring about economic efficiency.** While in many instances, this would simply entail making the

³ Of course, there are cases where “unregulated” competition may not yield optimum welfare, that in certain cases, the market would, left to itself, result in loss in efficiency. This is elaborated on in the subsequent discussions.

⁴ Market concentration is the case where value-added (or some other indicator of performance, *e. g.*, sales) is concentrated in the top few firms (three or four).

market contestable by easing entry of new firms, there would be cases where the market completely fails and more would be required from competition policy. Specifically this may mean a need for additional competition rules to assist the market in bringing about the highest welfare. Hence, competition policy is not necessarily a *laissez faire* policy. It is about ensuring that the market works properly.⁵

In reality, most industries may not completely possess the characteristics of a perfectly competitive model.⁶ Thankfully, in practice, there need not be perfect competition for the benefits to be realized. There need only be “effective” competition that could threaten the firm, that is, the presence of a viable, actual or potential rival. That is, the goal is not to attain perfect competition, but realistically, in many cases, simply to ensure effective competition.

In sum, the primary task of competition policy is two-fold: (1) to make sure that no entity would have market power it can abuse, and (2) where necessary, to implement competition rules that would emulate the competitive process and make up for the market’s failure to perform its price-allocation function efficiently. As such, in most instances, competition policy may simply require making the market more contestable (e. g., by removing artificial barriers to entry of new firms). At the same time, it should be able to disallow naked restraints of trade and discipline firms when such acts are committed. Where market power is inherent (in the structure), enforcement of competition policy should effectively strip the owner of such market power the ability to use (abuse) it. In this regard, this may require punishing anti-competitive acts with appropriate sanctions and/or enforcing competition rules to guide the market.

There are several steps involved that are implied in carrying out this task. The first is determining, in the first place, whether or not there is any firm (or concerted group of firms) in the market that has market power. If yes, the next step is to find out how it has come to possess such market power.

There are many factors that could affect the state of competition and existence of market power in any industry. The first factor to consider is the presence of trade barriers. There is no question that the kind of trade regime adopted by the country affects the state of competition. Simply by allowing imports to come in, some barriers to entry are broken down, and the market becomes more contestable. Hence, with its widespread impact on the whole economy, trade policy could act as major competition policy tool. Indeed, this is deemed to be the first layer of competition policy to be implemented. Hence, if the good is tradable, and there are no significant barriers to trade, then there is reason to believe that market is more or less contestable.

Although the impact of trade policy on competition should not be underestimated, there are other factors to consider in assessing how much competition actually results. Most importantly, if the local distribution channels are somehow tied up with local producers (e. g., through vertical integration or some vertical agreement like exclusive dealing), then the impact of trade liberalization may be limited (especially if substantial sunk costs are involved in putting up another distribution channel). Furthermore, not all

⁵ The central role of the market is price-allocation. A properly working market is thus one that performs this price-allocation function efficiently.

⁶ The main characteristic is the existence of many firms and/or open entry and exit of firms.

goods are tradable.⁷ For these goods, the geographic market (e. g., due to huge transport costs or remaining trade barriers) is limited to within local borders. As such, the barriers to entry of new firms constitute the second major factor affecting the state of competition.

Hence, the next step is to determine what kind of barriers to entry are there. Has the firm deliberately erected barriers to entry (behavioral barriers to entry)? If it has done so by becoming more efficient, then, this would not pose a problem and is intrinsically part of the competitive process. However, if the firm came about that market power by deliberately setting out to prevent other firms from entering the market other than by becoming more efficient, then it is committing exclusionary abuse which competition policy (through an anti-trust law) should disallow.

Or is the market power the result of structural factors? There are inherent market failures and rigidities which may lead to limitations on competition. These are what constitute the so-called structural barriers to entry. Again, this may not be necessarily bad for the economy if there are efficiency gains entailed. These include for example cases where there are economies of scope, synergies and transactions cost economies. In a class of its own is the case of natural monopolies, where huge capital requirements make duplication unviable and socially wasteful. These are cases where the market fails completely and competition policy requires more than just trying to make the market contestable. It requires setting up competition rules to make up for the market's inability to allocate resources efficiently.

These different factors have different impacts, and hence, different implications on what kind of competition policy action is needed. Anti-competitive behavioral barriers require sanctions from competition policy. Others require allowing anti-competitive set-ups if there are efficiency gains involved. Still others require even more, e. g. the need to enforce competition rules to make up for the failure of the market to perform its price allocation function properly. Such cases of market failures are what have been considered to be the justification for government regulation of an industry. This leads us to the last type of factors affecting the state of competition-- those that arise from government policy.

Is there government policy or regulation intervening in the market? Is government policy or regulation justified? If not, then reforms are needed to let the market perform its work more efficiently. However, as implied above, this government policy or regulation may just be what the market needs, primarily because of the structural barriers involved. Government intervention in the form of competition "rules" is needed precisely to help the market mimic the competitive processes. The question should then be, are these "rules" appropriate? Or should reforms be made?

Aside from direct government regulation of an industry, there are other government policies that may have other social objectives but may nonetheless impact negatively on competition. Such could cover a wide array of government policies. Nonetheless, no matter how essential the stated objectives of the policy are, if it seriously conflicts with competition policy, there is enough reason to question if the policy indeed serves national welfare. This does not presume that competition policy objectives are superior. Rather, it is always wise to weigh the possible trade-offs arising from any

⁷ In this sense, barriers to trade are in effect barriers to entry. However, a distinction is made between barriers to trade and barriers to entry in this paper to highlight its unique significance and importance for a small developing country like the Philippines

policy: the losses if there are from limited competition and the foreseen benefits from the policy.

In any case, what all this implies is that there is a need to re-examine government policies and regulations in the light of its impact on competition. Among the government policies, perhaps the more crucial to examine are government policies and regulations which directly interferes in the market. This is perhaps where the needed competition policy reform (removing unwanted anti-competitive elements) are easier to isolate and where the impact of the reform on the state of competition is most direct.

Another major source market failure that could impede the competitive process is imperfect information. Where there is information asymmetry between consumers and producers, producers could exercise some market power. Where consumers are not aware of the quality and even presence of available competition, the best decisions and best choices could not be made, leading to lower welfare. In this case, probably the best form of consumer protection is the provision of information.

Finally, whatever the nature of the barrier to entry, whether the implied market power is actually abused or not, is what ultimately matters, and the more important question is how competition policy is able to deal with potential abuse of market power. Hence, wherever the market power is coming from, the next step is to determine whether the firm “abuses” that market power and how (exploitative abuse). And if there is abuse of market power, a working anti-trust law should be able to deal with it accordingly.

Two general types of anti-competitive behavior are distinguished here. The first is the act itself of the firm (or group of firms) to exclude potential firms from entering the market by means other than becoming more efficient. This is referred to as exclusionary abuse. Examples of such exclusionary abuse include: predatory pricing, arrangement to divide the market, unjustly raising rival’s costs, and unjustified refusal to deal with other firms. The second type of anti-competitive behavior mentioned above is exploitative abuse. This refers to actual abuse of market power, manifested in setting prices above competitive levels and limiting supply. A prime example of exploitative abuse is a cartel agreement to fix prices and/or to limit levels of outputs.

Figure 1 provides a diagrammatical representation of the different steps involved discussed above and the primary role of competition policy.

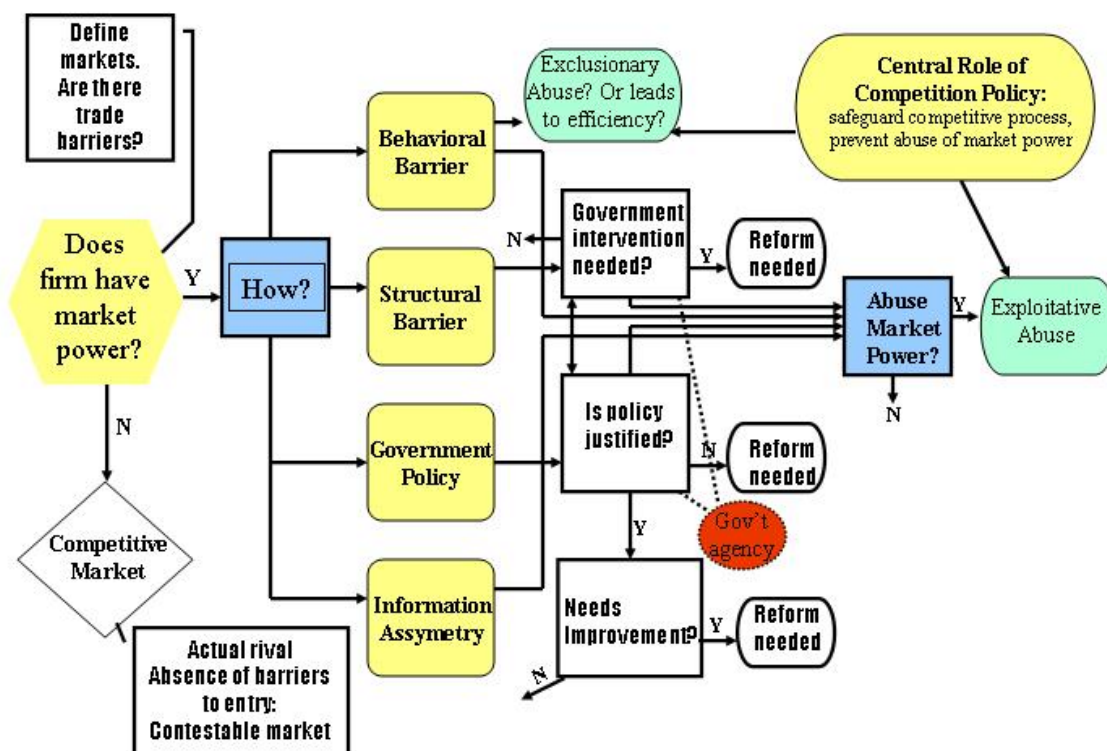


Figure 1. Role of Competition Policy

2.2 Suggested Elements of Competition Policy for the Philippines

The above discussion implies two major requirements for competition policy to carry out its primary tasks. First, there is a need for an effective anti-trust law to deal with anti-competitive behavior of firms. And second, there is a serious need to re-examine and re-evaluate government policies themselves which impact on competition. These needs, however, would be difficult to fulfill without the necessary information and education campaign, and adequate advocacy work. There are thus four major elements that must be present in an ideal competition policy framework.

1. Effective enforcement of an anti-trust legislation aimed at preventing restrictive business practices that significantly lessen competition and result in abuse of dominant position, inefficiency and reduction in welfare,
2. Process for review of government regulations and policies with respect to its impact on competition and competition policy objectives,
3. Advocacy for competition policy to facilitate and implement the required reforms in government policy with welfare reducing anticompetitive effects, and
4. Information and education campaign.

This is presented again in Figure 2 below, with the inclusion of these four elements. Such a framework would be able to address the major concerns and primary tasks of competition policy noted above.

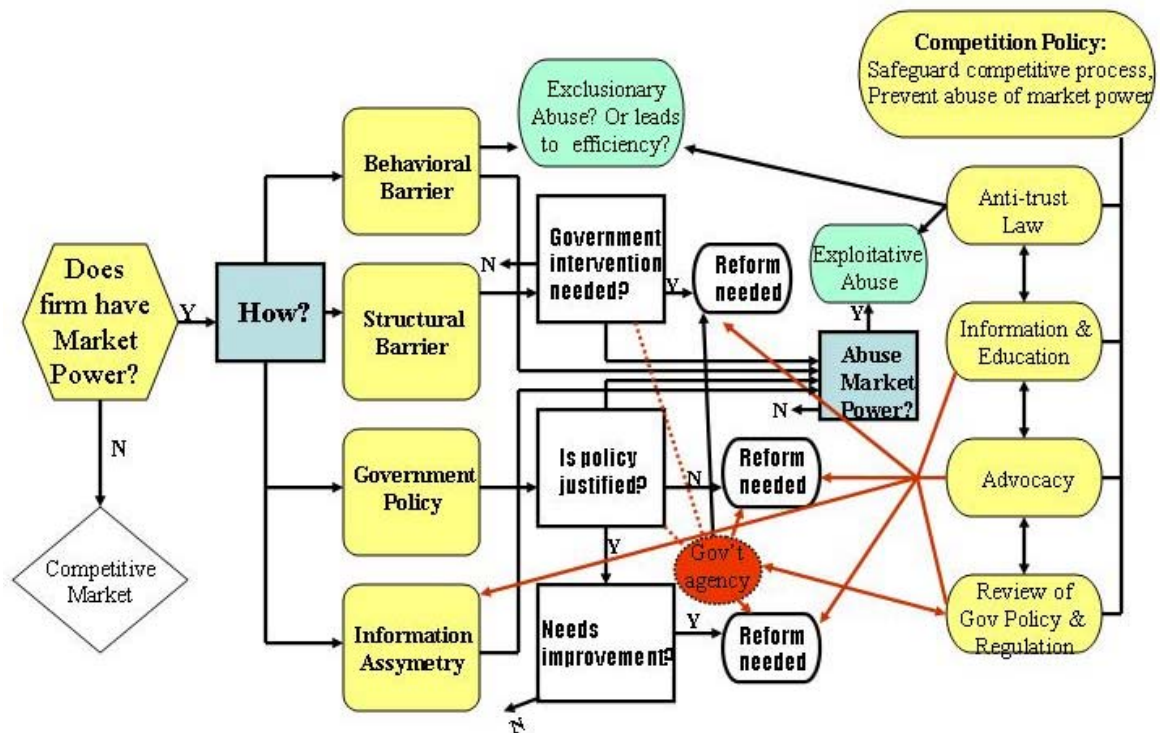


Figure 2. Framework for Competition Policy

The suggested framework is designed to be comprehensive, covering not just anti-trust policy. It could potentially deal not only with anti-competitive behaviour of firms (anti-trust law), but also with monopoly regulation and addressing other government policies and regulations that impinge on competition.

To clarify this point further, it is helpful to distinguish the major functions of competition policy from the perspective of key result areas. See Figure 3. First, there is the core competition policy: the anti-trust policy and law that deals directly with anti-competitive behaviour of firms. Second, there would be cases where the market completely fails and more would be required from competition policy. This is particularly the case of natural monopolies, where additional competition rules, e. g., regarding access and pricing regulations may be needed. Hence, the second major function of competition policy relates to the regulation of natural monopolies in the utilities sector. A third function, which is an inherent objective of competition policy, is consumer protection. This is implicitly what the discipline of firm behavior is aimed at. On top of this, there could be information asymmetry between consumers and producers, which could endow producers some market power. As such, possibly the best form of consumer protection is information and education, and public advocacy. Finally, ideally, a major area of competition policy would include the review of other government policies and regulations in terms of their impact on competition and the competitive process. This means that trade-offs between foregoing competition policy and implementing the policy or regulation in pursuit of other social objectives are examined and weighed.⁸

⁸ The suggested categorization is independent of the four elements suggested above. These elements, in varying forms and intensity, would be present in the areas of competition policy described.

because, for all practical reasons and purposes, it does not have, in effect, an anti-trust law. The anti-trust law has never been used or implemented as may be gathered from the lack of cases litigated in court. A major reason cited by Abad is the penal nature of the laws, which require a quantum of evidence for a case to prosper -- proof beyond reasonable doubt which is very difficult to obtain. In addition, the witnesses and/or aggrieved parties, because of the long tedious legal processes involved, are not themselves interested in putting the perpetrators behind bars; rather they are more interested in obtaining an injunction or cease and desist orders. Moreover, fines are inadequate to deter would-be criminals.

However, although it has no explicit competition policy framework, the promotion of competition has been implicit in the major reforms implemented since the 1980s. Indeed, before the reforms, the Philippine economy was characterized by a highly restrictive trade policy, pervasive industry regulations, and other government intervention in various forms that affect the state of competition in the different sectors. (See Table 1, below) Such a highly restrictive and regulated economy resulted in huge inefficiencies. (See Power, Bautista and Associates 1979, Lamberte et al 1992, and Medalla et al 1996, among others). Lamberte et al (1992) noted how government policy before the reforms and structural barriers to entry tended to reinforce each other to preserve concentration, and lack of competition. This is aggravated by the lack of foreign competition from imports before the trade reforms.

Among the most comprehensive reforms implemented by the government is the series of trade liberalization measures, both in terms of lowering of tariff rates and removal of import controls, starting in the mid 1980s. The Philippine trade policy regime has changed substantially during the past two decades-- from a highly restrictive and protectionist system to a relatively open trade regime. Tariffs went down across sectors from highs of 100 percent (or even more) before 1980 (i. e., before the first Tariff Reform Program) to a present range of 3 to 10 percent for the majority of products. Tariffs of more than 30 percent are found mainly in agricultural products (e. g. sugar, rice, corn, livestock not for breeding, etc) and only in a few industrial products (e. g. completely-built-up cars). Non-tariff import restrictions, mainly in the form of import licensing requirements or outright import prohibitions have also been removed except for a few (less than 3 percent of commodities at the 6-digit level of classification). There are a few remaining import restrictions, again for some (basically the same) agricultural products and for reasons of health, sanitary and national security. Tariff rates are expected to fall to a range of 0 to 5 percent by 2004 (except for a limited number of products). (See Appendix Table 1)

There is no question that the kind of trade regime adopted by the country affects the state of competition. Simply by allowing imports to come in, some barriers to entry are broken down, and the market becomes more contestable. Hence, with its pervasive impact on the whole economy, the series of trade policy reforms could be considered the first major layer of competition policy implemented.

The other major reforms implemented that impact on the state of competition in various markets included, among others:

- (1) abolition of a number of regulatory bodies
- (2) privatization
- (3) demonopolization of the telecommunications industry
- (4) some deregulation in the shipping and airline industries

- (5) oil deregulation
- (6) easing of entry of foreign banks
- (7) easing the foreign equity limits, and resorting to a much less restrictive negative list of activities where foreign equity is limited
- (8) the retail trade law.

Table 1 provides a more complete picture with an overview of government policies and regulations affecting major and selected sectors and the reforms that have been implemented. The list is presented to provide some indication about restrictions in the state of competition arising from these policies, the main rationale (objective) of policy and reforms that may have improved the state of competition. The list is not exhaustive. Nonetheless, it provides a cursory assessment of how much competitive forces are at work across sectors. The table fails to indicate the presence of behavioral barriers to entry, but some of the structural barriers could be readily recognized, mainly in the utilities sectors.

Table 1. Overview of Government Policies and Regulations

Sector	Pre Reform	Post Reform	Remarks
AGRICULTURE, FISHERY AND FORESTRY			
Agriculture	- protective policies	- trade liberalization; - passage of AFMA	- agricultural policy; equity/access
<ul style="list-style-type: none"> Palay Corn 	- high tariffs, import restrictions; - industry regulated by NGA	- lifting of price controls and some deregulation measures on trading - industry still regulated: NFA	- agricultural policy; equity/access
<ul style="list-style-type: none"> Sugarcane 	- high tariffs, quota allocation & administration by PHILSUCOM	- intervention in the supply and price by SRA; production is regulated but allowed free enterprise trading	- agricultural policy; equity/access
<ul style="list-style-type: none"> Livestock 	- high tariffs and import restrictions	- reduction in tariff rates, increasing import competition	- product standards, safety & consumer welfare
Fishery	- high tariffs and import restrictions	- reduction in tariff rates, increasing import competition; passage of Fisheries Code	- product standards, safety & consumer welfare
Forestry	- protective policies	- lifting of QR's, lowering of tariffs	- environmental regulations
INDUSTRY			
Mining & Quarrying	- protective policies	- lifting of QR's, lowering of tariffs	- environmental regulations
Manufacturing	- protective policies - regulatory controls	- trade liberalization - deregulation	- industrial policy; consumer welfare; product standards
<ul style="list-style-type: none"> Paper & paper prods Publ. and printing 	- high tariffs; QRs - equity participation: PICOP	- reduction in tariff rates & lifting of QR's; privatization of PICOP	- industry development & promotion
<ul style="list-style-type: none"> Industrial Chem. Other chem prods 	- import controls - industry regulation: FIA	- some deregulation measures under FPA	- quality standards, env'tal impact & product safety
<ul style="list-style-type: none"> Petroleum refineries Prods.coal & petrilm 	- high tariffs - industry regulation : BOE	- significant reduction in tariffs - enactment of RA 8479 prescribed the full deregulation	- industry development
<ul style="list-style-type: none"> Cement 	- high tariffs & import controls; - rehabilitation, modernization program - industry regulation: PCIA	- gradual reduction of tariffs - removal of QRs - price deregulation - regulatory body abolished	- industry promotion through rehabilitation/modernization programs
<ul style="list-style-type: none"> Iron and steel inds. Non-ferrous metal industries 	- protection and promotion (Progressive Mfg Program) - equity participation: NSC - industry regulation: ISA	- privatization of National Steel Corp. - regulatory body abolished	- industry promotion
<ul style="list-style-type: none"> Electrical machinery 	- protection and promotion (local content program)	- reforms in compliance with WTO	- industry promotion & promotion of exports
<ul style="list-style-type: none"> Transport Equipment 	- protection & promotion: (PCMP); high tariffs; import ban on CBUs	- reforms in compliance with WTO	- industry promotion
Construction	- industry regulation	- industry regulation: CIAP	- standards & safety regulations
Electricity, Gas and Water			
<ul style="list-style-type: none"> Electricity 	- protection and promotion: NAPOCOR in electric generation & transmission, MERALCO in MM electric distribution - industry regulation: BOE	- privatization of MERALCO - enactment of RA 9136 provides for the creation of the TRANSCO, PSALM; WESM; privatization of NAPOCOR - regulatory body: ERB to ERC	- essential facility/ monopoly regulation, equity/access
<ul style="list-style-type: none"> Water 	- equity participation: MWSS - creation of LWUA - industry regulation: NWRC	- privatization of MWSS - functions/assets of RWDC transferred to LWUA - industry regulation: NWRB	- essential facility/ monopoly regulation, equity/access, health & sanitary regulations
SERVICES			
Transportation, Storage, & Communication			
Transportation			
<ul style="list-style-type: none"> Land 	- industry regulation: BOT	- industry regulation: LTFRB	- safety standards, equity/access
<ul style="list-style-type: none"> Water (Shipping) 	- promotion and development - industry regulation: MARINA/PPA	- MARINA/PPA still regulate with some deregulation measures	- essential facility, equity/access - standards/safety regulations

Sector	Pre Reform	Post Reform	Remarks
• Air	- equity participation: PAL - promotion and development - industry regulation: CAB	- privatization of PAL - Progressive Liberalization (EO 219)	- essential facility/ monopoly regulation; standards/ safety regulations
Communication	- industry regulation: NTC	- NTC still regulate with deregulation measures - Public Telecommunications Act (RA 7925)	- essential facility/ monopoly regulation, equity/access
Trade			
• Wholesale	- limited restrictions	-	- standards/safety regulations
• Retail	- restrictions of foreign equity	- Retail Trade Liberalization Act 2000	- “nationalism,” protection
Finance			
• Banks	- highly regulated under CBP - entry is restricted	- New Central Bank Act of 1993 - financial market liberalization - General Banking Law of 2000	- promote monetary stability
• Non-banks			
• Insurance	- industry regulation: IC - restrictions of foreign equity	- IC still regulates but removed restrictions in foreign equity in the life insurance (RA 8179)	
Real Estate, Renting & Business Services			
• Ownership of Dwellings	- regulation: HSRC	- regulation: HLURB	- standards/safety regulations - equity/access
• Real estate			
• Business Services	- limited restrictions	- limited restrictions	- standards/safety regulations
Private Services			
• Educational	- highly centralized	- some decentralization measures - regulation by DECS, CHED	- standards and equity/access
• Medical & Health	- highly centralized	- some decentralization measures - regulation by DOH	- standards and equity/access
• Hotel & Restaurants	- limited restrictions	- limited restrictions	- standards/safety regulations

Even from this cursory assessment, some important observations could already be made. These are enumerated below.

1. It reiterates the findings of previous studies. The Philippine economy was characterized by a highly restrictive trade policy, pervasive industry regulations, and other government intervention in various forms that undermined the state of competition in the different sectors.
2. There is government intervention/ regulation in many sectors for various reasons/objectives. These include industrial promotion, sector development, safety and standard regulations, monopoly/essential facility regulation, and equity and access.

In general, the government would have reason to intervene in cases of market failure. Among the most important and most recognized of these are (a) the case of public goods, (b) equity (including access) objectives, (c) imperfect information, and (c) presence of externalities. In such cases, the intent of regulations could, in fact, be basically pro-competitive-- since the market would not be able to function efficiently¹⁰ if left to itself. Thus, a regulatory framework may be justified. What needs to be examined then is if the regulation is indeed intended and designed to perform its role of correcting

¹⁰ That is, match supply and demand at optimal levels.

for market failures and how well it is able to do so. Or does the regulatory framework only distort the market further?

3. The list includes a number of government regulations which are primarily meant to serve other social objectives (housing, education and health). This paper assumes for now that these social objectives are paramount.

The presence of government regulation does not necessarily imply bad policy. Presumably, the government policy or regulation is there for some other social objectives. Nonetheless, ideally, the interface of these other government policy with competition policy should be reviewed. (See Medalla in the forthcoming PIDS-PASCN volume). What this only means is a need for a regulatory review, preferably an impact assessment to make sure that optimum competition regulations are being implemented.

A good example is in the case of education. Education is a merit good. It could also entail externalities (better education induces better interaction and higher efficiency not just for individuals but for society as a whole). And equity/access objectives are unquestioned. However, the question is how much are these objectives achieved by regulating tuition fees. In general, price intervention creates serious distortions that could only lead to further misallocation of resources. Looking at the sector, there appears to be a substantial number of institutions that could provide viable competition. The market failure is mainly in the lack of information. Tan (2002) argues that competition just needs to work properly. In this regard, the provision of readily available and adequate information (about school performance, among others) would be the better approach.

4. There is often a mixture of objectives in regulating the sector.

There will be cases where multiple, conflicting objectives cannot be avoided, where both efficiency (maximum returns) and equity (access at affordable prices for the underprivileged sectors of the economy) are simultaneous objectives. Pricing regulation for monopoly regulation is complex enough. Mixing it with equity objectives complicates it even more, such that it becomes unclear how the objectives are being met.

The problem is how to separate the issues. Hopefully, there are ways to separate “competition concerns” with other social objectives. This deliberate policy to bring in competition policy concerns is particularly crucial in infrastructure project which are usually characterized by large capital requirements and long gestation periods. And this deliberation should be done from inception of the project, to its completion, to its actual operation. This means, for example, proper bidding process (or the so-called Swiss Challenge for unsolicited projects), burden of proof on the part of the firm showing efficiency gains translated to better prices and products to consumer if limitation of competition is called for, clear access policies in its operating stage.

More quantitative indicator of market structure and state of competition is provided later in the section for the manufacturing sector. Also, Appendix Table 2 provides more

details on the regulatory measures used. Table 2 provides further insights from the share in GDP of the sectors affected by the government policies and regulations and the number of firms in the sector.

Table 2. Share in GDP and Number of Firms in the sectors affected by Reforms

SECTORS	Government Reforms	Share in GDP 2000	No. of Firms (SME & Large) 2000
GDP/TOTAL		100.00	820,960
Tradables	- Tariff Reform Program (TRP I-IV) & Import Liberalization program	45.93	
NonTradables	- deregulation/privatization	54.07	
AGRI., FISHERY, FORESTRY		19.96	4,643
Agriculture & Forestry			3,391
Agriculture	- trade liberalization; passage of AFMA (1997)	16.07	-
Palay	- lifting of price controls & some deregulation measures on trading; industry still regulated: NFA	3.47	-
Corn		1.13	-
Sugarcane	- intervention in the supply & price by SRA; product'n is regulated but allowed free enterprise trading	0.51	-
Livestock	- reduction in tariff rates, increasing import competition		
Fishery	- reduction in tariff rates, increasing import competition; passage of Fisheries Code of 1998	3.74	1,252
Forestry	- lifting of QR's, lowering of tariffs	0.14	-
INDUSTRY		34.45	130,315
Mining & Quarrying	- lifting of QR's, lowering of tariffs	1.12	376
Manufacturing	- trade liberalization; deregulation	24.85	125,467
Construction	- industry regulation: CIAP	5.07	3,154
Electricity, Gas & Water		3.41	1,318
Electricity & Gas	- privatization of MERALCO; enactment of Power Reform Bill (RA 9136)	3.13	-
Water	- privatization of MWSS; functions/assets of RWDC transferred to LWUA; industry regulation: NWRB	0.27	-
SERVICE		45.59	686,002
Transportation, Storage & Communication		7.14	15,267
Transportation & Storage		4.28	-
Land	- industry regulation: LTFRB	3.04	-
Water (Shipping)	- MARINA/PPA still regulate with some deregulation measures	0.47	-
Air	- privatization of PAL; Progressive Liberalization (EO 219)	0.13	-
Storage & services incidental to transport		0.63	-
Communication	- NTC still regulate with deregulation measures, Public Telecommunications Act (RA 7925)	2.86	-
Trade		16.01	437,325
Wholesale		3.88	-
Retail	- Retail Trade Liberalization Act 2000	12.13	-
Finance		4.89	24,118
Banks	- New Central Bank Act of 1993; financial market liberalization; General Banking Act 2000	3.45	-
Non-Banks		0.47	-
Insurance	- IC still regulates but removed restrictions in foreign equity in the life insurance (RA 8179)	0.97	-
Real Est., Renting & Bus. Services		5.95	40,477
Ownership of Dwellings		4.08	-
Real Estate	- regulation: HLURB	0.98	-
Business Services	- limited restrictions	0.89	-
Private Services		6.53	-
Educational	- some decentralization measures; regulation by DECS, CHED	0.84	9,675
Medical & Health	- some decentralization measures; regulation by DOH	1.19	28,414
Hotel and Restaurants	- limited restrictions	1.34	89,472
Others		3.15	41,254
Government Services		5.06	-

This is again further summarized below in Table 3 to indicate the extent of the impact of policy in terms of coverage in GDP. In particular, the table singled out trade policy and government regulations of specific sectors, excluding those which are mainly for safety, standards and social objectives, e.g., in education and health sectors.

Table 3
Summary Table: Share in GDP Affected by Reforms
Pre Reforms vs. Post Reforms

	1980	1996	2000	<u>Share in GDP</u>	
				1980	2000
TRADE POLICY	<u>No. of Regulated Items</u>				
Import Liberalization	1,820	175			
% share in total HS lines	32.3%	3.1%			
Tariff Reductions	<u>Nominal Tariff Rates</u>			52.6%	45.9%
Overall	41.37%		7.99%		
Agri., Fishery & Forestry	61.10%		14.43%	23.5%	20.0%
Mining & Quarrying	18.36%		3.25%	1.5%	1.1%
Manufacturing	39.07%		6.95%	27.6%	24.8%
GOVERNMENT REGULATIONS				22.4%	19.9%
Agriculture (NFA & SRA)				5.3%	5.1%
Manufacturing (PCOP, FPA, ERB, PCIA, ISA, BOI)				7.1%	
Electricity, Gas & Water				2.0%	3.4%
Services (LTFRB, MARINA, PPA, CAB, NTC, BSP, IC)				7.9%	11.4%

Table 3 shows that around half of value added (representing the proportion of tradables in GDP) has been affected by trade reforms. This represents the share in value added of sectors that face foreign competition. The table also shows that the regulatory bodies abolished affected sectors with a combined share of around 7 percent. This implies, by itself, improvements in the state of competition on the whole. Furthermore, industry regulations covering services and utilities represent around 20 percent of value-added. This has implications on the magnitude of the impact of reforms in these sectors on the economy. This share is very significant, magnified by the fact that: (1) they have strong forward linkages with other sectors, and (2) the industries affected by trade reforms would have the needed boost to compete better globally. The latter effects need to be highlighted. The reforms in these regulated sectors that would bring about more rational competition rules would complement well the trade reforms by lowering input costs. This could represent just what is needed to realize the potential benefits from a more open economy.

For a closer look into selected sectors, PIDS-PASCN conducted studies on a number of sectors. The choice of industries has been guided mainly by where competition policy appears to be most crucial. The list included four major utility sectors: telecommunications, air transport, power and shipping. As of this writing, only the first two have been completed. However, these regulated sectors share common competition policy issues that are addressed and discussed in the other two studies. The other industry studies hopefully would provide a better understanding of the other sectors of the economy, covering an overview of the manufacturing sector, the cement industry and the downstream oil industry in particular, and the special case of the financial sector.

Table 4
The Manufacturing Sector

	<u>Concentration Ratios</u>			<u>Number of Establishments</u>			<u>Price Cost Margins</u>		
	1988	1994	1995	1988	1994	1995	1988	1994	1995
Manufacturing	70.9%	73.6%	73.6%	11,208	10,726	10,373	0.30	0.34	0.36
Food processing/	79.5	81.4	81.7	915	751	717	0.30	0.30	0.32
Food manufacturing	63.5	69.7	77.9	2,003	1,879	1,798	0.32	0.33	0.41
Beverage industries	48.2	70.1	63.4	91	86	88	0.31	0.56	0.57
Tobacco manufactures	96.6	99.6	99.4	25	21	22	0.48	0.56	0.57
Textile manufactures	64.1	64.1	72.4	549	537	508	0.28	0.24	0.3
Apparel except footwear	34.7	31.7	26.5	1,556	1,512	1,521	0.25	0.13	0.32
Footwear except rubber	30.3	41.7	55.0	425	384	373	0.19	0.14	0.2
Wood and cork products	40.5	55.5	65.4	683	401	354	0.22	0.24	0.23
Furniture and fixtures (non-metal)	19.5	40.9	41.6	678	497	439	0.22	0.24	0.25
Furniture and fixtures (metal)	80.9	79.5	62.7	36	34	35	0.3	0.1	0.21
Paper and paper products	79.0	71.2	70.4	167	215	206	0.32	0.3	0.29
Publishing and printing	42.1	47.3	51.1	636	637	636	0.25	0.28	0.32
Leather and leather products	57.7	63.9	64.0	120	84	85	0.17	0.16	0.23
Rubber products	79.2	73.5	73.7	137	187	181	0.24	0.28	0.37
Plastic products, nec	49.4	40.8	50.9	300	377	365	0.27	0.29	0.29
Industrial chemicals	90.1	87.5	84.7	112	171	197	0.37	0.34	0.31
Other chemical prods	66.4	75.6	69.1	300	288	295	0.4	0.46	0.46
Petroleum refineries	100.0	100.0	100.0	4	4	4	0.18	0.22	0.32
Prods. of coal & petrlm	81.1	77.0	87.4	16	14	16	0.24	0.14	0.26
Pottery & china	92.8	86.1	93.7	59	68	61	0.34	0.34	0.35
Glass & glass products	96.3	90.6	92.1	35	53	46	0.46	0.5	0.52
Cement	45.3	48.3	45.4	17	18	18	0.28	0.37	0.42
Other non-metallic prods.	68.9	71.3	74.5	353	304	253	0.34	0.37	0.4
Iron & steel industries	84.2	80.6	70.6	128	191	201	0.23	0.43	0.24
Non-ferrous metal industries	99.3	99.3	98.6	35	34	40	0.24	0.18	0.24
Fabricated metal industries	73.5	74.5	74.3	469	555	550	0.28	0.32	0.28
Machinery except. Electrical	63.6	77.5	79.4	556	464	460	0.28	0.32	0.28
Electrical machinery	64.8	69.4	63.7	217	271	310	0.21	0.22	0.28
Transport equipment	81.0	86.2	84.4	230	264	265	0.28	0.23	0.23
Prof, Scientific, Msurg & Cont Equipn	100.0	100.0	100.0	14	13	20	0.32	0.23	0.24
Miscellaneous manufactures	70.9	70.6	76.8	342	312	309	0.27	0.23	0.31

Source:

Aldaba, "The State of Competition in the Philippine Manufacturing Sector". PASCN DP2000-13

Past studies on the manufacturing sector have consistently characterized the manufacturing sector as highly concentrated. Most notably, Lamberte, E. De Dios, et al (1992) observed the presence of high concentration and uncontestable markets in Philippine industries. Aldaba (in the forthcoming PIDS-PASCN Volume) looks at what has happened to the level of concentration in the manufacturing sector during the more recent years, where substantial trade reforms have been implemented. At first glance, the results look alarming. The estimates show that the manufacturing sector is still indeed highly concentrated with roughly two-thirds of the manufacturing industry having concentration ratios ranging from 70 to 100 percent. On the average, 73.6 percent of value added were from the top four firms in each manufacturing sub-sector. See Table 4.

Sub-sectors with high level of concentration are mostly intermediate and capital goods such as petroleum refineries, glass and glass products, industrial chemicals, pottery, china and earthenware, petroleum and coal products, rubber products, other nonmetallic mineral, paper and paper products, professional and scientific equipment, nonferrous metal products, transport equipment, iron and steel, machinery except electrical, textiles, other chemicals (a borderline case) and fabricated metal products. Consumer goods like tobacco, food manufacturing, and food processing also belong to the high concentration group.

Price cost margins were estimated as a rough measure of profitability. On the average, the manufacturing industry posted a price cost margin of 30 percent in 1988. This

increased to 34 percent in 1994 and to 36 percent in 1995. A combination of high price cost margins and high concentration ratios tend to suggest that some monopoly rents are being incurred. A positive correlation between concentration and profitability in Philippine manufacturing is noted by Aldaba. The correlation matrix between concentration ratio and price cost margin is presented below for the years 1988, 1994 and 1995. The more relevant estimate is for pairs for the same year.

Table 5
MANUFACTURING CORRELATION MATRIX:
CONCENTRATION RATIO AND PRICE COST MARGIN

	CR88	CR94	CR95	PCM88	PCM94	PCM95
CR88	1.000000	0.940575	0.890371	0.422307	0.185395	0.120011
CR94	0.940575	1.000000	0.937373	0.420904	0.272047	0.175886
CR95	0.890371	0.937373	1.000000	0.382337	0.221090	0.142337
PCM88	0.422307	0.420904	0.382337	1.000000	0.706128	0.704884
PCM94	0.185395	0.272047	0.221090	0.706128	1.000000	0.833786
PCM95	0.120011	0.175886	0.142337	0.704884	0.833786	1.000000

She finds two different possible interpretations of the results. First, she argues that it is possible that industrial concentration would foster collusion and hence, monopoly pricing (structuralist view). On the other hand, it could also very well be the case, following the efficiency market hypothesis, that superior firms in an industry that make a product or cost breakthrough will gain market share, causing industry concentration to increase. Broadly interpreted, the efficient markets hypothesis states that markets are workably competitive and that the market structure reflects differential efficiency, not strategic behavior. Dominant firms owe their position to superior performance, not to strategic behavior or the history of entry into the industry, and profits are simply the rents that accrue to superior technology (Gilbert as cited in Stigler, 1968 and Demsetz, 1973).

In view of the on-going structural reforms, arising mainly from trade liberalization at the time, the efficiency market hypothesis appears the more likely explanation in many cases. Indeed, the findings (shown above in Table 4) about the correlation matrix between PCM and CR support this view. Correlation coefficient went down 0.42 to 0.14. The lower coefficients over time, inclusive of the trade reform period, shows weakening relationship between concentration ratio and the price cost margin. This is also supported by the findings of the various PIDS studies on the impact of trade reforms (e. g. Medalla et al, 1996, Pineda 1997 and Medalla 1998) which noted not only the improved competitiveness of the manufacturing sector as indicated by the reduction in the domestic resource cost ratio, but also the generally increasing share in value added of those firms which had improved competitiveness. See Table 6.

Table 6
Share in Production by Efficiency Classification
1983, 1988, 1992, 1994

DRC/SER Range	Efficiency Classification	Share in Production Value (%)			
		1983	1988	1992	1994
0 to 1	Highly efficient	18.84	39.51	43.95	41.63
1.0 to 1.5	Efficient-Mildly Inefficient	28.75	22.76	29.48	37.86
1.5 to 2.0	Inefficient	12.30	14.68	8.36	7.56
DRC/SER>2.0	Highly Inefficient	39.58	21.77	18.07	12.94
Average DRC/SER		1.72	1.54	1.21	1.18

Not that the structuralist view would not apply in some cases. There would be sectors where high concentration would allow and even encourage collusion, exploitative and exclusionary abuses. What this means, however, is that the high concentration ratios, in the presence of trade liberalization, is not as alarming as it appears. Indeed, this could be the logical result of restructuring arising from trade reforms, where inefficient firms contract and efficient firms expand. What is more important is that markets are made more contestable under a more liberal trade regime. Nonetheless, the results highlight the need for a working competition policy, especially if we wish to maximize the benefits from structural reforms already undertaken. More details are found in the study by Aldaba in the forthcoming PIDS-PASCN volume.

While the discussion provides an overview of the state of competition in manufacturing, a lot of variation which is important to examine is hidden by simply looking at manufacturing at such aggregated level. Thus, more specific cases need to be studied. Two such manufacturing studies looks separately at the cement industry and the downstream oil industry.

Cement and oil industries are aptly suitable for comparison. Both produce homogeneous products. They are both relatively more capital intensive, dominated by a few large firms and are popular suspects for cartel behavior. Nonetheless, despite these strong similarities, the findings differ. There is evidence of collusion, whether tacit or not, in the case of cement and no such definite findings for the oil industry. The former is based on the finding of widely differing manufacturing costs in the presence of harmonious movements in prices and very low capacity utilization. Aldaba concludes that such observed behavior is inconsistent with competitive behavior, and could only be explained within a framework of some coordination, tacit or otherwise. Peter Lee U (in the same forthcoming Volume) on the other hand offers explanation for the apparently synchronized pricing behavior of oil companies that does not imply collusion but rather had to do more with maximizing profits in the short run arising from changes in crude oil prices.

The thing is, whether or not collusion could be proven in any of these cases, nothing can really be done under existing anti-trust law whose penal provision requires heavy burden of proof which is almost impossible to obtain under the present administrative constraints. In the meanwhile, what happens is a lot of lobbying from different sides, making the issues more political than it should be. If there were an effective competition law, the issues would have been more objectively analyzed and resolved. There would be no need to even think about a national oil exchange.

The studies on utilities, telecommunications and the airline industry (Serafica and Austria respectively in the forthcoming PIDS-PASCN volume), on the other hand, show further the complexities of industry regulation. The sectors covered involve essential (bottleneck) facilities, which justify the need for the industry regulation. In general, the studies show that significant reforms have been implemented in terms of liberalization and deregulation, which have led to the introduction of greater competition and resulted in substantial benefits. At the same time, a number of questions still remain and new challenges and issues are created requiring new approaches to sustaining these benefits. Unbundling the services to separate segments that should be subject to greater competition is among the important parts of the reforms that should be sustained. Global trends in the industrial organization of these utilities suggest that they are not as “natural” a monopoly as they are used to be or thought to be. Possibly the only segment that are real natural monopolies are in the provision of the “local loop” in the fixed line telecommunications, international ports in the transport industry, and transmission in the power sector. Another key area for improvement is formulating a clear policy on access to these “essential” facilities.

Another important question that should further be looked into is the use of price/rate fixing itself as part of the regulatory framework. A general rule applicable to utilities is the rate of return to base regulation which limits returns to 12 percent. In addition, some product (service) price setting is enforced. For example, in telecommunications, end-user rates are set by the NTC, as with power, and transportation.

At the outset, price fixing appears to be a logical policy handle of the regulator, especially since there is presumption of market failure in the industry being regulated. Where competition as market regulator fails, the ultimate impact is in prices and it seems reasonable that this is where the regulator takes over. Price fixing is also very politically appealing. However, as often experienced in many countries, government price fixing often creates more problems than it solves. A major reason is information problem. It is difficult to predict demand and supply. Data on costs are difficult to come by.

Sometimes, the problem is the point of price of intervention. Take the case of telecommunications for example. End user price (price paid by consumers) is set by NTC but interconnecting carriers are allowed to negotiate access charges between them (intermediate price). A firm (the one enjoying network externalities) can effect a price squeeze in its effort to gain market power before the regulator can step in. One can thus question if it would be better for the regulator to intervene at the intermediate level and deregulate end user price where enough competition exists. This would also lower the cost of negotiation. Just imagine the costs involved with N carriers negotiating bilaterally per product (service) for M types of products. Another example is the rate of return cap. This is where the rationale is more difficult to comprehend. Presumably, the rate of return regulation is an alternative to user price fixing and is much easier to manage and determine. However, if government wants investments to happen, it should not put limits

on how much the firm can earn, certainly not at an unreasonably low nominal rate of return of 12 percent which is not even enough to cover interest costs. It creates, for prospective investors, "regulatory risks" on top of the commercial risks they already have to face. (If the firm makes money, it runs the risk of losing it because of the regulation.) Moreover, to a large extent, the regulation only encourages cheating and effectively forces out of the market honest new players.

A related issue to price regulation that needs to be reviewed is the policy of cross-subsidization, which complicates the process even more. There is a need to re-evaluate the costs and benefits of cross-subsidization. This has been used as a reason for limiting entry (to prevent new entrants from "skimming off the top"). In the first place, it is very difficult to set the right prices and the cost of making a mistake could be high. In the second place, are there other alternatives to attaining the objective?

Another issue to look at is issue of privatization. Most of the natural monopolies are, or used to be, public monopolies. Privatization has been part of the reforms undertaken during the past decade. There is a perception that publicly owned and run corporations are less efficient than private enterprises. This is due to a number of factors. First is the hiring and firing scheme which is constrained by the civil service regulations that make it extremely difficult to fire and hire employees. The second factor is the incentive and compensation structure. Third is lack of accountability. These factors, among others, deprive the public enterprise of the usual motivation for profit maximization as is present for private firms.

However, transfer of ownership alone would not ensure (may only transfer rents) increased efficiency if the necessary conditions for a competitive market is not set forth beforehand. Indeed, the problem may not be whether to transfer ownership or not but rather how the competition process and discipline could be introduced. If there would be transfer of ownership, all unnecessary advantages previously enjoyed by the firm should be removed and competitive neutrality should be ensured. These issues need to be examined further in the reforms of public enterprises.

We come to the banking and insurance sectors. (See Milo, also in the forthcoming PIDS-PASCN volume) The case of financial regulation is perhaps of most unique importance because of the nature of the financial sector and its vital link to the rest of the economy. The financial sector regulation can be justified on two grounds-- two cases of market failures: (1) the presence of asymmetric information, and (2) the presence of systemic risks. Perhaps the more compelling of the two is the second. The risk to one bank is a risk to all. The failure of one bank can cause the failure of others, if not the whole system. Thus regulation of the financial regulation is indeed well founded.

Ideally, the regulation should address only the particular market failure it is trying to correct. Hence, in the case of the financial sector, this means ensuring the stability and soundness of the banks and the payment system. This means prudential regulations. It does not mean limiting the number of firms *per se*. It means disallowing entry only if the entrant could not prove its soundness and stability. Some strides in this area have been made in the financial sector and these appear to have resulted in benefits manifested in the better and wider array of services available (and in lower average profit margins after liberalization. See Milo).

Finally, an emerging problem common to all is the recent trend towards mergers and acquisition. This could very quickly worsen the state of competition in these markets. Again, this highlights the need for competition policy, especially an effective anti-trust law dealing with mergers and acquisitions. More importantly, the distortions in some of the regulations are increasingly recognized (e. g., access charge for universal application which has created asymmetry between firms, especially between, old and newer firms). This again points to the need for closer review and re-examination of government policies and regulations, especially as they impact on the state of competition, and as to what ideal “competition rules” are needed to compensate for the failure of the market.

A summary of findings from the sector studies on competition under PIDS-PASCN is provided in Table 7 below.

Table 7
Competition Policy Studies
Summary

Sectors	Government Policies		Deregulation/ Liberalization Laws	Regulatory Body	Remarks
	Pre-reform (1980s)	Post Reform (1990s)			
Manufacturing	- protection (high tariffs) - promotion (investment incentives programs) - regulation (regulatory controls)	- liberalization through removal of tariff and non-tariff barriers - reducing anti-export bias - increasing import competition	- Tariff Reform Program I to IV EO 470, EO 189, EO 334 - Import Liberalization Program		- remain highly concentrated but reforms resulted in more contestable markets
Cement	- regulatory controls: PCIA - protective policies (high tariffs, import controls) - investment incentives (rehabilitation, modernization program)	- deregulation of cement prices - removal of import restrictions - substantial tariff reduction	- DTI Adm. Order No. 10 - CB Circular 1195	used to be regulated by PCIA and DTI but was lifted	- remained highly concentrated and entry barriers is not easy due to large capital requirements - some evidence of collusion
Oil	- industry regulation: OIC - dominated by 3 big players	- full deregulation (opening up the market & allow firms to set their own prices) - attracting more investments - significant reduction of tariffs	- Deregulating the Downstream Oil Industry (RA 8479, 1998)	ERB used to set oil prices	- still dominated by 3 big players but new entrants were gaining market share specifically in bulk sales
Telecommunications	- industry regulation: NTC - presense of monopoly	- demonopolization and liberalization	- Public Telecommunications Act (RA 7925)	NTC	Better & more service - PLDT operates LE service nationwide while the rest are restricted by their PAs -emerging problems
Air Transport	- industry regulation: CAB - one airline policy	- deregulation and liberalization - allowing new entrants in domestic routes - allowing two designated flag carriers in international routes	-Domestic and International Civil Aviation Liberalization Policy (EO 219, 1995)	CAB	lower fares & more domestic flights PAL still uncontested flag carrier both in domestic and international routes
Finance					
- Banks	-supervision & regulation by CBP - entry is highly restricted	- removal of certain regulations - relaxation in restrictions on entry - strengthening of prudential regulation - efforts to develop the equity markets	- Partial liberalization of entry of foreign banks(RA 7721, 1994) - General Banking Act (RA 8791, 2000) - Securities Regulation Code (RA 8979, 2000)	BSP	Prudential regulation -lower interest rate spread & lower profit margin after liberalization - trends in mergers and acquisition of KBs
- Non-Banks	-supervision and regulation by CBP	- same applies	- Investment Houses Law (RA 8366, 1997) - Financing Act (RA 8556, 1998)	BSP	
- Insurance	- regulation and supervision by IC - restrictions of foreign equity	- opening up to new entrants - removal of restrictions in foreign equity in the life insurance	- Full liberalization of entry foreign insurance (RA 8179, 1996) - Insurance Code 1978	IC	- increase in both domestic and foreign private companies

4. Conclusions and Recommendations

A full-blown national competition policy would require, at the very least, a lot of technical expertise. The competition authority should have very competent and knowledgeable manpower to define markets, identify anti-competitive actions, and judiciously construct and administer "competition tests" on issues of concentration, agreements, mergers and acquisitions. As such, a very legitimate question is how ready we are to implement the necessary reforms. Being new in the area of implementing competition policy, there would be expected a lack in expertise and a need for institution and capability building. The question then becomes what would be the best way of developing such expertise and institutions. This is on top of the problem of building public support for the reforms and overcoming political constraints.¹¹

One approach is to do this gradually, possibly on a piecemeal basis. We can begin with the creation of a coordinating body, and an austere law, which can be augmented over time and emphasize the establishment of implementing institutions and promotion of competition advocacy. Another approach is to transform an existing body which is performing some of the functions of competition policy. A third approach would be to create a new central body which could be designed to develop and evolve into what it should ideally become.

Whatever the approach, a working competition policy is one that would yield the potential outputs represented in Figure 4 below.

¹¹ Indeed there are valid fears about possible regulatory failures -- about the "competition authority" making serious errors in judgement (both Type I and Type II), punishing those who should not be punished and leaving those who should be punished, unpunished.

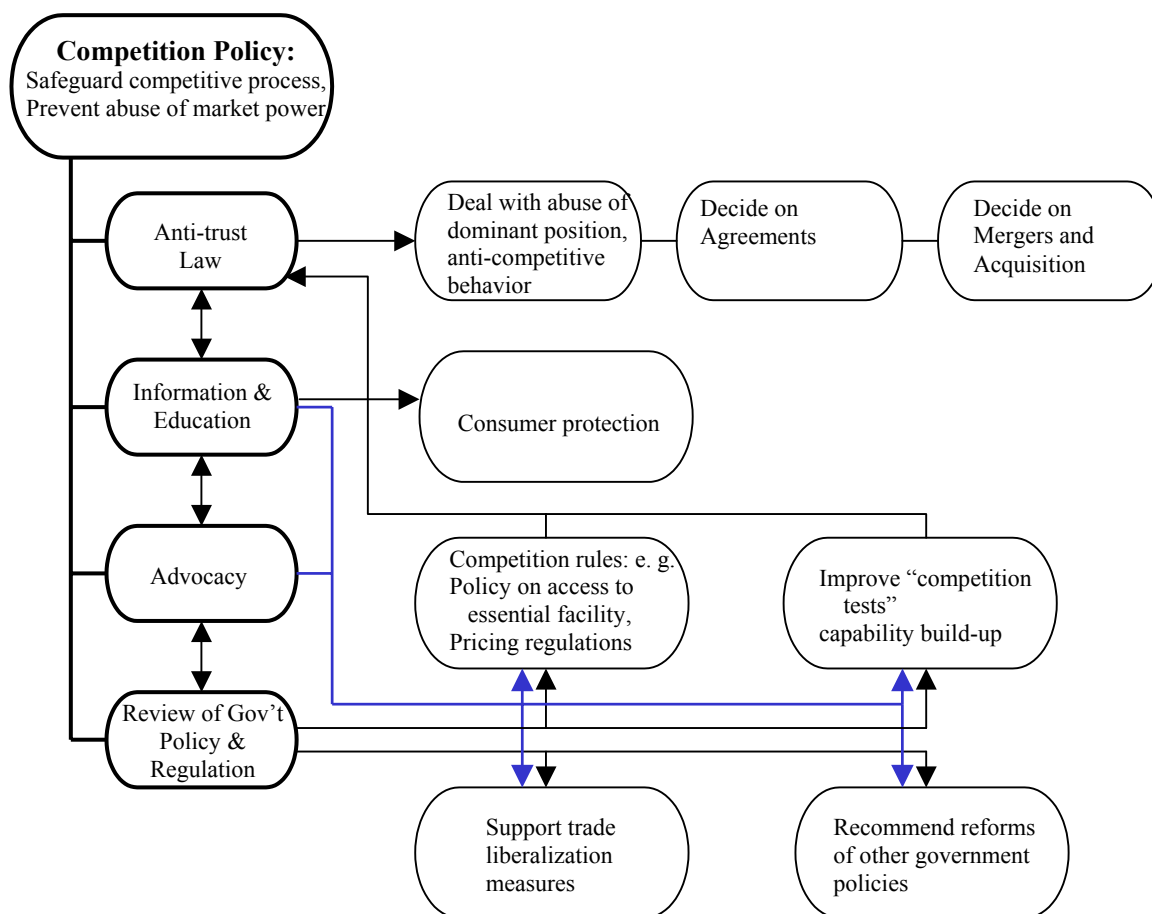


Figure 4. Potential Outputs of a National Competition Policy

An essential element to implement a workable competition policy is an effective anti-trust law. Such an anti-trust law would be aimed primarily at preventing restrictive business practices and abuse of dominant position. Considering the encompassing nature of competition and the interrelationships and linkages between sectors, it should also be general in application-- that is, applicable to all sectors, regardless of ownership. Thus, even firms under certain regulatory boards should be subject to the discipline of the anti-trust law. The objectives of the regulatory board would not be violated, as the law would have enough allowances for efficiency and public interest justification. Indeed it should benefit from the discipline it enforces.

More Immediate Priority: Review of government regulations and policies

But perhaps even more crucial to undertake is the review of government policies and regulations. That is, if the objective is to improve the competitive environment, what is probably most worthwhile to tackle would be to reform government policies and regulations which directly interferes in the market. This is mainly for three reasons: (1) their impact on the state of competition is most direct and more visible, (2) a lot has already been done with respect to trade reforms and it would complement well these reforms, and (3) there is still a long way to go before the anti-trust law would be passed and used successfully.

In particular, the major tasks involved in the review of government regulations and policies would cover the following:

- the regulatory framework covering natural monopolies and access to essential facilities,
- possibility of deregulating further certain segments of the industry where more competition may be introduced
- and competitive neutrality in government businesses.

From these review activities would result more definite competition rules, particularly on access to essential (bottleneck) facilities and price regulations. Furthermore, the review would cover ways to improve the administration of the anti-trust legislation and build up the administrative capability for its enforcement.

In addition, but possibly with less priority in many cases, competition policy should ideally also be able to review and re-examine major government policies, including education, infrastructure, industrial and agricultural policies, in the light of competition policy objectives. It would not be surprising to find how much incorporating competition policy in these other policy areas could lead to unprecedented benefits. Indeed, these potential benefits are already recognized by analysts. Often, the stumbling block is the political constraint, which more effective advocacy and information and education campaign could address. A competition authority with unassailable reputation and credibility would be able to achieve what fragmented and disconcerted efforts in the past could not.

Suggested provisions for the anti-trust law

The Philippines has yet to craft a truly effective legal and regulatory framework for enforcing competition in the economy. How such a framework is to shape up will depend on the design of a simple and enforceable model and a careful consideration of the political realities of the country.

As previously noted, the anti-trust law should be general in application. Bearing in mind the factors affecting the state of competition and what should be the objectives of competition policy discussed in earlier sections, it should contain rules governing monopolies and cartels, restrictive agreements, mergers and acquisitions, and provisions identifying outright prohibitions of clearly unfair competition practices, all aimed at preventing exploitative and exclusionary abuses. These rules, where possible, should identify per se prohibition to simplify some of the tasks. For other cases, rule of reason, e.g. by applying judiciously crafted competition tests, should allow for limitation in competition where found to be so justified. The anti-trust law should endow investigative powers to whichever agency is tasked to implement it. There should, however, be transparency in the procedures, ideally with some guidelines published. Finally, there should be clear possible course of actions, in terms of remedies and/or penalties for those found to be in violation of the anti-trust law. To elaborate a little further, as suggested in the World Bank/OECD Framework for the Design and Implementation of Competition Law and Policy, these cover the following provisions:

- Rules governing monopolies and cartels and abuse of dominant position
 - Establish if firm has dominant position
 - Examine entry barrier condition

- Identify *per se* prohibitions involving anticompetitive actions (creating obstacles to entry, e. g. predatory pricing)
 - Set guidelines for rule of reason regarding what anticompetitive, exclusionary actions could be allowed. There should be a competition test to determine if the obstacle to entry is solely created by increasing efficiency of the firm. This competition test allows for limiting competition on efficiency grounds
 - Burden of proof -- firm
 - Provide for possible remedies (e.g. reorganize, divest)
- Rules governing restrictive agreements. The premise is that not all agreements are cartel agreements. Similar considerations apply as in the case for rules governing concentrations (below)
- Identify *per se* prohibitions. These would include clear cartel agreements (naked restraints of trade) such as:
 - Price fixing or setting
 - Output fixing or setting
 - Bid rigging
 - Division of markets
 - Examine entry barrier conditions
 - Identify other forms of anticompetitive (exclusionary) conduct where rule of reason could apply
 - Set competition test guidelines
 - Burden of proof--firm
- Rules governing mergers and acquisitions
- Examine entry barrier conditions
 - Set and define threshold for what is small enough mergers where prior notification is not required.
 - Set rule of reason guidelines for permitted mergers and acquisition even for those above the threshold. For these there should be competition test which show that there would on balance be efficiency gains.
 - Burden of proof—firm
- Provisions for prohibited unfair competition practices:
List specific actions which should be prohibited unfair competition practices. Examples of such practices of unfair competition which should be prohibited could include:
- Distribution of false or misleading information-- which could harm competing firm
 - Distribution of false or misleading information (including information lacking basis) to consumer's e.g. related to price, quality, characteristics, etc.
 - Unauthorized use, receipt, or dissemination of confidential scientific, technical, production, business, or trade information

Thus far, the recommendation is silent on whether there should be additional mandate to incorporate the other elements of competition policy in the legislation and if a central competition authority should be created. This is because of the huge implications of creating such a body. This is the biggest issue that would need to be resolved. As yet, it

is too early to tell what is the most feasible and effective way to implement competition policy. For sure, a “good” central authority is best able to accomplish the task. Whether it is feasible to create one, however, is another question. The challenge is how to craft a competition law that would allow for the possibility of creating a national competition authority that would one day evolve into what it should ideally become.

Whatever the approach, initial efforts should already focus on the development of physical and human capital, training of judges, education of consumers, business community and government officials on the rationale for and content of antitrust statute. We should allow the institutional foundations for the competition policy system to be established first and the enforcement of comprehensive set of commands to be introduced and this could take some time. The drafting of the law and creation of such a competition authority should follow efforts to study the major sources of market failure and to identify distinctive institutional conditions that affect the choice of strategies for correcting such failures.

In the long run, the government should work towards creating such a competition authority. Ideally this authority would be responsible not just for the prevention of anticompetitive behaviour of firms, or simply anti-trust legislation, but rather for the broader area of competition policy and law including review of existing government policies and regulations from the point of view of competition policy, supported with competition advocacy and information and education campaign.

Bottomline

In sum, the Philippines has undertaken major reforms in what could be considered the first layer of competition policy: trade reforms. It has also implemented steps in what could be considered the second layer of competition policy—deregulation. However, a lot more needs to be done with respect to how to move it another step further and develop more rational “competition rules.” Indeed, the paper suggests that this should get the priority and focus of reforms in improving the state of competition in the Philippines. Nonetheless, the government sooner or later must decide to what extent it wishes to implement what could be considered the third layer of competition policy-- the core competition policy which deals directly with the anti-competitive behavior of firms: a working anti-trust law.

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Appendix Table1. Trade Policy Reforms

Sector	Major Reforms	Description			No. of Regulated Items	
			1980	2001	1980	1996
Overall	TRP I (1981-1985)	- tariff band was narrowed from 10%-100% to 10%-50%	<u>41.37%</u>	<u>7.72%</u>	<u>1, 820</u>	<u>175</u>
	Import Lib. Program	- elimination of quantitative restrictions (import quotas, prohibitions, licensing reqts)				
	TRP II - EO 470, 1991 (1991-1995)	- narrowed down tariff range within a 3%-30%; HS lines was reduced by 10% from 6,193 tariff lines to 5,561 lines				
	TRP III- EO 264, 1995	- uniform tariff rate of 5% by the year 2004				
	TRP IV- EO 465, 1998	- tariff recalibration from 3%-10-20-30% to more flexible 0%-5-7-10-15-20-25-30%				
	TRP IV- EO 334, 2001	- tariff schedule from 2001 to 2004 for all products (excluding certain meat products under HS Chapter 2, rice, corn, & sugar) with tariff band of 0%-5% in 2004				
Agriculture, Fishery & Forestry	TRP III- EO 288, 1996	- tariff reductions on non-sensitive agricultural products (not covered by QRs)	<u>61.1%</u>	<u>14.25%</u>	<u>253</u>	<u>10</u>
	TRP III- EO 313, 1996	- interim tariff protection to sensitive agri prods; 170 lines subject to tariff quotas				
	Agricultural Tariffication Act (RA 8178, 1996)	- an Act Replacing Quantitative Restrictions on Agricultural Products except Rice , with Tariffs, to implement tariffication of agricultural products as part of Philippine commitment to WTO Agreement on Agriculture				
	Agri. & Fisheries Modernization Act (RA 8435, 1997)	- trade & fiscal incentives to agricultural enterprises: exempting from payment of tariff duties on all types of imported agricultural & fishery inputs, equipment & machineries for 5 years				
	Philippine Fisheries Code (RA 8550, 1998)	- for the availment of incentives for commercial fishers to encourage fishing vessel operators to fish farther in the Exclusive Economic Zone (EEZ) and beyond				
	TRP IV- EO 334, 2001	- only a limited range of sensitive agricultural products with a 2004 tariff of 30%				
Mining and Quarrying	TRP I-IV	- significant tariff reductions & removal of import restrictions	<u>18.36%</u>	<u>3.25%</u>		
Manufacturing	TRP III- EO 264, 1995	- tariff modifications for industrial products, 3% (raw mat'ls & intermed goods) & 10% (finished prods) in 2003	<u>39.07%</u>	<u>6.68%</u>	<u>1,567</u>	<u>165</u>
	TRP III- EO 461, 1998	- tariff of 3% on imported crude oil and refined petroleum products				
	TRP IV-EO 465, 1998	- re-calibration of tariff rates for 22 industries identified as “Philippine winners” on the basis of global competitiveness, employment & inter-industry linkages (e.g. motor vehicle parts, processed foods, electronics, garments, etc.)				
	TRP IV-EO 486, 1998	- recalibrated tariff schedules for the residual items; reduced to 144 tariff lines subject to tariff quotas				

Appendix Table 2. Government Regulations: Mandate and Regulatory Functions

SECTOR	Regulating Agency	Mandate	Regulatory Functions	Major Reforms Implemented
AGRICULTURE, FISHERY & FORESTRY				
Agriculture	DA	- promotion of agricultural development	- certification; licensing (import/chemicals); quarantine regulations	- various reorganization & implementation of different programs
<ul style="list-style-type: none"> Palay Corn 	NGA (PD 4, 1972) NFA (EO 1028, 1985)	- regulatory powers over grains industry; implementation of food security program	- monitoring & enforcement of rules & regulations; licensing & registration of all grains business; first right to import rice in accordance w/ food security program	- deregulation of trading food products; termination of non-grains trading activities; lifting of price controls (EO 1028, 1985)
<ul style="list-style-type: none"> Sugarcane 	PHILSUCOM (PD 388, 1977) SRA (EO 18, 1987)	- regulation & development of the sugar industry incl. the allocation of sugar prod'n & export quota	- licensing of traders; que-danning & withdrawals of sugar; sugar & molasses importations; shipping permit	- production is still regulated but allowed free enterprise trading - promote greater & significant participation of the private sector
<ul style="list-style-type: none"> Livestock 	BAI	- development & expansion of livestock, poultry & dairy industries	- prescribe standards for the quality of manufacture, importation, distribution & sale of livestock, poultry & allied industries	
Fishery	BFAR & BAFPS	- set and implement standards for fresh, processed agricultural & fishery products	- formulate & enforce standards of quality in processing, importation, exportation, distribution of agricultural & fisheries products	
Forestry	BFD (PD 705, 1975) FMB (EO 192, 1987)	- to increase production and ensure the efficiency & effectiveness of forest mgt.	- set & implement charges for illegal logging, large scale log smuggling)	- Revised Forestry Code of 1991 - National Integrated Protected Areas System (NIPAS) Act 1992 - Adopting Community-based Forest Mgt
INDUSTRY				
Mining & Quarrying	MGB	- offers various technical, administrative and laboratory services	- issuance of mining rights; geological/mining investigation & verification;	
Manufacturing	BTRCP	- formulation & implementation of Trade Regulation & Fair Trade Laws, protection to the consuming public	- licensing & accreditation of establishments; compliance of business name registration; regular price monitoring - strict enforcement of the Price Act (RA 7581)	

SECTOR	Regulating Agency	Mandate	Regulatory Functions	Major Reforms Implemented
	BPS	- develop, implement & coordinate standardization	- standard development, standards implementation/promotion	
<ul style="list-style-type: none"> Industrial chem Other chemical products 	FIA (PD 135, 1973) FPA (PD 1144, 1977)	- assure adequate supply of fertilizer & pesticide at reasonable prices; rationalize the manufacture & marketing	- quality assurance & strict monitoring system for product safety	- removal of procurement control; scrapping of price-setting function; discontinuance of the issuance of FPA Import permit
<ul style="list-style-type: none"> Petroleum refns Prods. Of coal & petroleum 	BOE (PD 1206, 1977) ERB (EO 172, 1987)	- regulate & ensure adequate supply of petroleum products	- regulates & fixes prices on petroleum products	- enactment of RA 8479: Downstream Oil Industry Deregulation Act of 1998
<ul style="list-style-type: none"> Cement 	PCIA (PD 94, 1973)	- development of the cement industry	- allocate supply, control prices, regulate entry; setting production quotas through the industry association (Philcemcor)	- abolition of PCIA (EO 133, 1987); - price deregulation (DTI Adm No. 10, 1991)
Construction	CIAP	- promote, accelerate, & regulate the growth & devt of the construction industry	- issues licenses to contractors; suspend/revokes licenses through Phil. Contractor's Accreditation Board (PCAB)	
Electricity, Gas and Water				
<ul style="list-style-type: none"> Electricity 	ERB (EO 172, 1987) ERC (RA 9136, 2001)	- independent regulatory body performing the combined quasi-judicial, quasi-legislative & administrative functions in the electric sector	- determine, fix and approve transmission & distribution charges and retail rates imposed by distribution utilities; grant, revoke, review & modify certificates, permits, licenses to generation companies	- enactment of Electric Power Industry Reform Act 2001 (RA 9136) provides for the creation of the following: 1) National Transmission Company , 2) Power Sector Asset & Liabilities Management Corp., 3) new Energy Regulatory Commission , 4) Wholesale Electricity Spot Market; and 5) privatization of NAPOCOR
<ul style="list-style-type: none"> Water 	NWRC (PD 424, 1974) NWRB (EO 1124-A, 1987)	- development of all water resources (utilization, conservation & protection)	- grant water permits & Certificate of Public Convenience CPC; supervise & control all water utilities & their franchises; levy reasonable fees & charges on users & distributors of raw water	- National Water Crisis Act 1997 (RA 8041) mandated MWSS to enter into an agreement with Maynilad Water Services, Inc. & Manila Water Company to provide water, sewerage & sanitation services - EO 124 (1987) abolished RWDC and transferred its functions/assets to LWUA
SERVICES				

SECTOR	Regulating Agency	Mandate	Regulatory Functions	Major Reforms Implemented
Transportation, Storage, & Communication				
Transportation				
• Land	BOT (1979) LTFRB (1987)	- rationalize, regulate & supervise all motorized land-based transp. services	- process, approve or deny franchise applications; issuance of CPC; fare rates determination & special permits	- simplifying the franchising system, more strict in issuance of franchises to operate
• Water (Shipping)	MARINA (PD 474, 1974)	- tasked with the overall development of the shipping industry	- accreditation of shipping enterprises; issuance of Certificate of Public Convenience	- some deregulations measures in domestic shipping; lowering of rates, improvement of quality service, upgrading of facilities
	PPA (PD 505, 1974) (EO 857, 1987)	- development, management of all port system; regulation of port operators	- selection of port operators; determination & collection of fees for port-related services	
• Air	CAB (PD 1462, 1947) (RA 776)	- regulates the economic aspect of civil aviation; exercise general supervision & regulation over air carriers	- determines rates or fares charged by air carriers; prescribes & regulates their routes or areas of operations; establishes standards & specifications concerning CPC	- Domestic & International Civil Aviation Liberalization (EO 219, 1995) means the incremental removal of regulatory restraints with corresponding adoption of safety nets
Communication	BOC (1972) TCB (1974) NTC (EO 546, 1979)	- promotion & development of telecoms industry - supervision, regulation & control of all telecommunications services	- issuance of CPC; regulates operations of public service communications ; grants permits for the use of radio frequencies	- enactment of Public Telecommunications Act of (RA 7925)
Trade				
• Wholesale	BTRCP	- BTRCP mandate	- BTRCP regulatory function	Retail Trade Act which allowed entry of foreign retail establishments
• Retail				
Finance				
• Banks • Non-Banks	CBP (1949) BSP (RA 7653)	- regulates & supervises the banking system; exercises regulatory powers over the operations of NFIs	- impose minimum capital requirements for banks; provides monetary & credit regulations aimed at ensuring the liquidity & solvency of banks	- establishment of the Bangko Sentral ng Pilipinas, New Central Bank Act of 1993 (RA 7653); Partial entry of foreign banks (RA 7721); enactment of General Banking Law of 2000 (RA 8791) - Investment Houses Law (RA 8366); Financing Act (RA8556); Securities

SECTOR	Regulating Agency	Mandate	Regulatory Functions	Major Reforms Implemented
				Regulation Code (RA 8979)
<ul style="list-style-type: none"> Insurance 	OIC (RA 275, 1949) IC (PD 63, 1972)	- regulation, supervision & adjudication of the insurance industry	- promulgate rules & regulations; license insurance firms, brokers, agents & rehabilitate delinquent insurance companies	- Full liberalization of entry of foreign insurance (RA 8179, 1996)
Real Estate, Renting & Business Services				
<ul style="list-style-type: none"> Ownership of Dwellings Real estate 	HSRC (PD 1396, 1978) HLURB (EO 90, 1986)	- planning, regulatory & quasi-judicial body of land use development, real estate & housing regulation	- enforce laws, rules, standards & guidelines on housing & real estate development - issuance of license to sell	
<ul style="list-style-type: none"> Business Services 	BTRCP	- BTRCP mandate	- BTRCP regulatory function	
Private Services				
<ul style="list-style-type: none"> Educational 	DECS	- supervises basic & secondary education of both public & private institutions	- regulation of public and privates schools	
	CHED (RA 7722, 1994)	- supervises tertiary & graduate education of both public & private institutions	- issuance of Authority to Operate, granting of University status, endorsement of tax exemptions	
<ul style="list-style-type: none"> Medical & Health 	DOH	- ensure access to basic public health services through provision of quality health services	- licensing & accreditation of health facilities & services; health devices & technology; ensure safety, quality of products for the protection of public health	- Magna Carta for Health Workers

Acronyms for Table 1 & Appendix 2:

DA	-	Department of Agriculture
NGA	-	National Grains Authority
NFA	-	National Food Authority
PHILSUCOM	-	Philippine Sugar Commission
SRA	-	Sugar Regulatory Commission
BAI	-	Bureau of Animal Industry
BFAR	-	Bureau of Fisheries and Aquatic Resources
BAFPS	-	Bureau of Agriculture and Fisheries Product Standards
BFD	-	Bureau of Forest Development
FMB	-	Forest Management Bureau
MGB	-	Mines and Geosciences Bureau
DTI	-	Department of Trade and Industry
BTRCP	-	Bureau of Trade Regulation & Consumer Protection
BPS	-	Bureau of Product Standards
GTEB	-	Garments and Textile Export Board
PICOP	-	Paper Industries Corporation of the Philippines
FIA	-	Fertilizer Industry Authority
FPA	-	Fertilizer and Pesticide Authority
BOE	-	Board of Energy
ERB	-	Energy Regulatory Board
PCIA	-	Philippine Cement Industry Authority
NSC	-	National Steel Corporation
ISA	-	Iron and Steel Industry
CIAP	-	Construction Industry Authority of the Philippines
ERC	-	Energy Regulatory Commission
NWRC	-	National Water Resources Council
NWRB	-	National Water Resources Board
MWSS	-	Metropolitan Waterworks and Sewerage System
LWUA	-	Local Water Utilities Administration
RWDC	-	Rural Waterworks Development Council
BOT	-	Board of Transportation
LTFRB	-	Land Transportation Franchising and Regulatory Board
MARINA	-	Maritime Industry Authority
PPA	-	Philippine Ports Authority
CAB	-	Civil Aeronautics Board
PAL	-	Philippine Airlines
BOC	-	Board of Communications
TCB	-	Telecommunications Control Bureau
NTC	-	National Telecommunications Commission
BSP	-	Bangko Sentral ng Pilipinas
CB	-	Central Bank
OIC	-	Office of the Insurance Commissioner
IC	-	Insurance Commission
HSRC	-	Human Settlement Regulatory Commission
HLURB	-	Housing and Land Use Regulatory Board
DECS	-	Department of Education, Culture and Sports
CHED	-	Commission on Higher Education
DOH	-	Department of Health