

# Philippines opens up to 3G networks

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In a bid to beef up the country's wireless network, the Filipino government has approved four major domestic carriers to provide third-generation cellular services from 2008.

On Wednesday the Philippines' National Telecommunications Commission said SMART Communications, Globe Telecom, Digital Mobile Philippines and Connectivity Unlimited Resources Enterprise will be able to transmit high-bandwidth, high-speed applications such as videoconferencing via cellular-phone networks.

The deal will required the licensed companies to set up the needed infrastructure by 2007 and roll out the service by 2008, in addition to coming up with a five-year plan to implement these services to at least 80 percent of the Philippine provinces. Two of the biggest cellular service providers in the Philippines, Globe Telecom and SMART, have already successfully tested their 3G services using an EDGE upgrade to their existing GSM network equipment.

NTC Commissioner Ronald Solis said that the four companies were selected by evaluating their previous track records as telecommunications companies, as well as their alliances with other overseas telecom companies in addition to their partnerships with 3G equipment vendors. They were also given the green light in view of their compliance with NTC rules to date as well as their financial ability to keep to the strict timeline.

A fifth license may be issued to a rival company, but it has not been

awarded yet.

Solis pointed out the need for telecommunications companies to abide by an NTC rule known as section 3.6, which requires carriers not only to provide 3G services to 80 percent of Philippine towns and cities within five years, instead of simply focusing on more profitable urban areas, in addition to interconnecting with other telecom companies, and share their network with other telecom companies in areas that do not allow more than one 3G network.

Among the companies that did not make the cut this time around are BayanTel, NextMobile, Philippine Multi-Media System, AZCOM and the Transpacific Broadband Group.

That means that they lost out on \$5.6 million, or 300 million Philippine peso, performance bond that was required to make it into the 3G selection process amid petitions from existing telecommunications providers to block new providers from offering the service.

For the winners, though, the 3G licenses opens up a new market for them as they will be able to provide services that have become the norm in some parts of the world and has opened up new uses for cellular phones for users.

"We are bullish about this new development (for Globe) as we get ready to provide the 3G applications that would greatly benefit our valued customers. This year, we extensively worked on our 3G offering. Globe has successfully completed its first 3G video calls in July and has complied with all the NTC's 3G requirements by October," said Globe Telecom's senior vice president for corporate and regulatory affairs Rodolfo Salalima.

Not to be beaten on optimism, SMART Chief Executive Napoleon

Nazareno said, "We have been testing a number of 3G cell sites and can now service customers on a trial basis in Metro Manila and Metro Cebu. What's more, we have already ordered the network facilities needed to establish nationwide 3G coverage at the shortest possible time.

"We will repeat the rapid roll-out that we accomplished in deploying first our analog and then our GSM network infrastructures. We are in 3G for real," he added.

New 3G capable phones from companies including Nokia, Motorola and Sony Ericsson have started to hit the market, with prices ranging from \$300 to \$500, which is considerably above the spending budget of the average worker. Nevertheless, the sleek, multifunction handsets are expected to attract a slew of young, upwardly mobile professionals who not only want to connect with their peers more effectively, but also express themselves through their phones, as many users in the United States, Europe, and Japan already do.

Certainly, cellular telephony has experienced rosy growth in the Philippines over the past few years. A recent UN Conference on Trade and Development study found the number of Philippine subscribers rose from 6.4 million in 2000 to 32.9 million in 2004. This was an average of two mobile phones for every five Filipinos, according to the UNCTAD study. The UNCTAD study also mentioned that SMART Communications and its sister company, the Pilipino Telephone Corporation grew to 20.8 million subscribers from 5 million in 2000, while its nearest competitor Globe Telecom grew to 12.4 million subscribers from 2 million in 2000.

Nevertheless, whether higher value added services 3G will be a success in the Philippines remains to be seen. Much of the growth experienced by most cellular companies over the past few years was in the low-end sector of the market, in applications that appeal to a broad section of the

population, and not just a select elite, particularly as such as cell phone-based money transfers and loading up of prepaid cell phone credits have taken off.

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