

Retail Trade Act Amendments

AmCham's Special Reform Legislation Discussion Series

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PCC mandate to promote free and fair competition in all economic activities and advocate for procompetitive government policies



Retail sector: identified as a priority sector by the Commission for 2020

Entry of foreign retailers is beneficial to consumers and domestic retailers

Reduction of minimum paid-up capital requirement to \$200,000 suffices as a step in the right direction - lessens restrictions on competition



Positive effects generated by entry of foreign firms

- Directly compete with large local firms which supply goods to smaller firms
- Access for small retailers - MSMEs - to a wider variety of suppliers and goods which will potentially reduce purchase costs, where cost reductions are passed down to consumers or become profit for small players
- Wider choice of goods available to consumers, at different price points and quality ranges



Foreign retailers may likewise develop the industry through introduction of new technology and innovation, which smaller players may adopt or use as an incentive to improve efficiency.

Effectiveness of minimum capitalization requirement in protecting local MSME retailers

*Will foreign retailers be engaged/competing in the same '**relevant market**' as local MSME retailers (e.g., sari-sari stores)?*

*With the **rise of the digital economy**, technology will continue to change the retail landscape, and relevant markets will vary*



Distinct market characteristics where MSMEs operate

- These traits allow them to operate even with existing large players present
 - For instance, MSMEs are characterized by 'immediate convenience' because of:
 1. Geographical proximity
 2. Ability to sell products per piece
 3. Extension of informal credit



Capitalization requirements in traditional markets where physical presence is the norm may not be as pertinent in a more digitized commerce.

- If aim is to safeguard viability of local MSME retailers, increase in online retail activity may not necessarily protect them
- Creates uneven treatment between brick-and-mortar and online retailers

Less competition-restrictive government support measures for MSMEs

According to the World Bank's Ease of Doing Business Report 2020, the Philippines has jumped from its 2019 rank of 124 to 95. However, it remains to lag behind its ASEAN counterparts and the high cost of doing business in the country poses a major constraint to MSME development and competitiveness.



What are the EODB challenges faced by MSMEs the government may address?

1. Difficulty in acquiring regulatory permits
2. Lack of access to credit
3. Technology
4. High electricity costs
5. Weak chain linkages between agriculture, manufacturing, and services
6. Infrastructure and logistics

Support for lowering of minimum capitalization requirement

- 1. The PCC supports the lowering of the minimum capitalization requirement imposed by the RTL Act, coupled with flanking measures to address the challenges faced by MSMEs in doing business.**
 - Facilitate access to technology-enabled commerce (incl improvement in telecoms)
 - MSME-friendly criteria for credit under economic stimulus package
 - Others
- 2. Consider option of a relatively short transitory/adjustment period.**

**Thank
you!**

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