

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS

SECOND REGULAR SESSION



COMMITTEE REPORT NO. 1581

Submitted by the Committee on Legislative Franchises on 20 NOV 2013

Re House Bill No. 5574, prepared by the Committee

Recommending its approval, in substitution of House Bill 4366

Sponsors: Representatives Marcelino "Marcy" R. Teodoro, and Giorgidi B. Aggabao

MR SPEAKER:

The Committee on Legislative Franchises to which was referred House Bill No. 4366, introduced by Rep. Giorgidi B. Aggabao, entitled:

"AN ACT GRANTING THE TELECOMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH OPERATE AND MAINTAIN TELECOMMUNICATIONS SYSTEMS THROUGHOUT THE PHILIPPINES"

has considered the same and recommends that the attached House Bill No 5574 entitled:

"AN ACT GRANTING THE TELECOMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH OPERATE AND MAINTAIN TELECOMMUNICATIONS SYSTEMS THROUGHOUT THE PHILIPPINES"

be approved in substitution of House Bill No. 4366 with Reps. Giorgidi B. Aggabao and Marcelino "Marcy" R. Teodoro as authors thereof.



Respectfully submitted:

Marcelino Teodoro
MARCELINO "MARCY" R. TEODORO
Chairman
Committee on Legislative Franchises

**THE HONORABLE THE SPEAKER
HOUSE OF REPRESENTATIVES
QUEZON CITY**

Page 2 of 2

Committee Report

Re: House Bill No. 4366, Franchise application of Telecommunications Technology Solutions, Inc.)

Authored by: Hon. Giorgidi B. Aggabao

Sponsors: Representatives Marcelino "Marcy" R. Teodoro, and Giorgidi B. Aggabao

MR. SPEAKER,

The Committee on Legislative Franchises to which was referred House Bill No. 4366, introduced by Rep. Giorgidi B. Aggabao, entitled:

"AN ACT GRANTING THE TELECOMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE AND MAINTAIN TELECOMMUNICATIONS SYSTEMS THROUGHOUT THE PHILIPPINES"

has considered the same and recommends that the attached House Bill No. 4366, entitled:

"AN ACT GRANTING THE TELECOMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE AND MAINTAIN TELECOMMUNICATIONS SYSTEMS THROUGHOUT THE PHILIPPINES"

be approved in substitution of House Bill No. 4366 with Reps. Giorgidi B. Aggabao and Marcelino "Marcy" R. Teodoro as authors thereof.

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS

Second Regular Session

House Bill No. 5574

Introduced by Reps. Aggabao And Teodoro

AN ACT
GRANTING THE TELECOMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. A
FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE AND MAINTAIN
TELECOMMUNICATIONS SYSTEMS THROUGHOUT THE PHILIPPINES

*Be it enacted by the Senate and the House of Representatives of the
Philippines in Congress assembled:*

- 1 SECTION 1. *Nature and Scope of Franchise.* - Subject to the provisions of the
2 Constitution and applicable laws, rules and regulations, there is hereby granted to
3 Telecommunications Technology Solutions Inc. hereunder referred to as the grantee,
4 its successors or assigns, a franchise to construct, install, establish, operate and
5 maintain for commercial purposes and in the public interest, throughout the
6 Philippines and between the Philippines and other countries and territories, wire
7 and/or wireless telecommunications systems, including but not limited to mobile,
8 cellular, paging, fiber optics, multi-channel multi-point distribution system (MMDS),
9 local multi-point distribution system (LMDS), satellite transmit and receive systems,
10 switches, and their value-added services such as, but not limited to, transmission of
11 voice, data, facsimile, control signs, audio and video, information services bureau
12 and all other telecommunications systems technologies as are at present available or
13 will be made available through technological advances or innovations in the future;
14 and/or construct, acquire, lease and operate or manage transmitting and receiving

1 stations, lines, cables or systems as in or are convenient or essential to efficiently
2 carry out the purpose of this franchise.

3 SEC. 2. *Manner of Operation of Stations of Facilities.* – The stations or
4 facilities of the grantee shall be constructed and operated in a manner as will, at
5 most, result only in the minimum interference on the wavelengths or frequencies of
6 existing stations or other stations which may be established by law, without in any
7 way diminishing its own right to use its selected wavelengths or frequencies and the
8 quality of transmission or reception thereon as should maximize rendition of its
9 services and/or the availability thereof.

10 SEC. 3. *Authority of the National Telecommunications Commission.* – The
11 grantee shall secure from the National Telecommunications Commission (NTC),
12 hereinafter referred to as the Commission, a Certificate of Public Convenience and
13 Necessity or the appropriate permits and licenses for the construction, installation
14 and operation of its telecommunications systems/facilities. In issuing the certificate,
15 the Commission shall have the power to impose such conditions relative to the
16 construction, operation, maintenance, or service level of the telecommunications
17 system. The Commission shall have the authority to regulate the construction and
18 operation of its telecommunications systems. The grantee shall not use any
19 frequency in the radio spectrum without having been authorized by the Commission.
20 Such certificate shall state the areas covered and date the grantee shall commence
21 the service. The Commission, however, shall not unreasonably withhold or delay the
22 grant of any such authority, permits or licenses.

23 SEC. 4. *Ingress and Egress.* – For the purpose of erecting and maintaining
24 poles or other supports for said wires or other conductors for the purpose of laying
25 and maintaining underground wires, cables or other conductors, it shall be lawful for
26 the grantee, its successors or assigns, with the prior approval of the Department of
27 Public Works and Highways (DPWH) or the local government units concerned, as
28 may be appropriate, to make excavations or lay conduits in any of the public places,
29 highways, streets, lanes, alleys, avenues, sidewalks or bridges of said province,

1 cities and/or municipalities: *Provided, however,* That a public place, highway, street,
2 lane, alley, avenue, sidewalk or bridge disturbed, altered or changed by reason of
3 erection of poles or other supports or the underground laying of wires, other
4 conductors or conduits, shall be repaired and replaced in workmanlike manner by
5 said grantee, its successors or assigns, in accordance with the standards set by
6 DPWH. Should the grantee, its successors assigns, after the ten -(10) day notice
7 from the said authority, fail, refuse or neglect to repair or replace any part of public
8 place, road, highway, street, lane, alley, avenue, sidewalk or bridge altered, changed
9 or disturbed by the said grantee, its successors or assigns, then the DPWH shall
10 have the right to have the same repaired and placed in good order and condition at
11 double expense to be charged against the grantee, its successors or assigns.

12 SEC. 5. *Responsibility to the Public.* - The grantee shall conform to the ethics
13 of honest enterprise and not use its stations/facilities for obscene or indecent
14 transmission or for dissemination of deliberately false information or willful
15 misrepresentation, or assist in subversive or treasonable acts.

16
17 The grantee shall provide basic or enhanced telephone service in any city
18 and/or municipality in the Philippines where it has an approved Certificate of Public
19 Convenience and Necessity for the establishment, operation and maintenance of a
20 local exchange service, without discrimination to any applicant therefor, in the order
21 of the date of their applications, up to the limit of the capacity of its local telephone
22 exchange, and should the demand for the telephone service at any time increase
23 beyond the capacity thereof, the grantee shall increase the same to meet such
24 demand: *Provided,* That in case the total demand to be satisfied by the expansion is
25 less than the smallest viable local exchange available in the market as determined by
26 the Commission, the grantee shall not be obliged to furnish such service unless the
27 applicant for telephone service defrays the actual expenses for the installation of the
28 telecommunications apparatus necessary for such services and in such case, the
29 Commission may extend the time within which the grant shall furnish such service.

30 The grantee shall operate and maintain all its stations, lines, cables, systems,
31 and equipment for the transmission and reception of messages, signals and pulses in

1 a satisfactory manner at all times, and as far as economical and practicable, modify,
2 improve or change such stations, lines, cables, systems, and equipment to keep
3 abreast with the advances in science and technology.

4 SEC. 6. *Rates for Services.* – The charges and rates for telecommunications
5 services of the grantee, except the rates and charges on those that may hereafter be
6 declared or considered as non-regulated services, whether flat rates or measured
7 rates or variation thereof, shall be subject to the approval of the Commission or its
8 legal successor. The rates to be charged by the grantee shall be unbundled,
9 separable and distinct among the services offered and shall be determined in such a
10 manner that regulated services do not subsidize the unregulated ones.

11 SEC. 7. *Right of Government.* – A special right is hereby reserved to the
12 President of the Philippines, in times of war, rebellion, public peril, calamity,
13 emergency, disaster or disturbance of peace and order, to temporarily take over and
14 operate the stations, transmitters, facilities or equipment of the grantee to
15 temporarily suspend the operation of any station, transmitter, facility or equipment in
16 the interest of public safety, security and public welfare, or to authorize the temporary
17 use and operation thereof by any agency of the government, upon due compensation
18 to the grantee for the use of said stations, transmitters, facilities or equipment during
19 the period when they shall be so operated.

20 The radio spectrum is a finite resource that is part of the national patrimony
21 and the use thereof is a privilege conferred upon the grantee by the State and may
22 be withdrawn anytime after due process.

23 SEC. 8. *Term of Franchise.* – This franchise shall be in effect for a period of
24 twenty-five (25) years unless sooner revoked or cancelled. This franchise shall be
25 deemed *ipso facto* revoked in the event the grantee fails to comply with any of the
26 following conditions:

27 (a) Commence operation within three (3) years from the approval of its operating
28 permit or provisional authority by the NTC;

- 1 (b) Operate continuously for two (2) years; and
- 2 (c) Commence operations within five (5) years from the effectivity of this Act.

3 SEC. 9. *Acceptance and Compliance.* – Acceptance of this franchise shall be
4 given in writing within sixty (60) days from the effectivity of this Act. Upon giving such
5 acceptance, the grantee shall exercise the privileges granted under this Act. Non-
6 acceptance shall render the franchise void.

7 SEC. 10. *Bond.* – The grantee shall file a bond with the National
8 Telecommunications Commission (NTC), in the amount that the NTC shall
9 determine, to guarantee compliance with and fulfillment of the conditions which this
10 franchise is granted. If, after five (5) years from the date of the approval of its permit
11 by the Commission, the grantee shall have fulfilled the same, the bond shall be
12 cancelled by the Commission. Otherwise, the bond shall be forfeited in favor of the
13 government and the franchise *ipso facto* revoked.

14 SEC. 11. *Right of Interconnection.* – The grantee is hereby authorized to
15 connect or demand connection of its telecommunications systems to any other
16 telecommunications systems installed, operated and maintained by any other duly
17 authorized person or entity in the Philippines for the purpose of providing extended
18 and improved telecommunications services to the public, under such terms and
19 conditions mutually agreed upon by the parties concerned and the same shall be
20 subject to the review and modification of the Commission.

21 SEC. 12. *Gross Receipts.* – The grantee, its successors or assigns, shall keep
22 a separate account of the gross receipts of the business transacted by it and shall
23 furnish the Commission on Audit (COA) and the National Treasury a copy of such
24 account not later than the thirty-first (31st) day of January of each year for the
25 preceding twelve (12) months.

26 SEC. 13. *Books and Accounts.* – The books and accounts of the grantee, its
27 successor or assigns, shall always be open to the inspection of the Commissioner on

1 Audit or duly-authorized representatives and it shall be the duty of the grantee to
2 submit to the COA two (2) copies of the quarterly reports on the gross receipts, the
3 net profits and the general condition of the business.

4 SEC. 14. *Warranty in Favor of the National and Local Governments.* – The
5 grantee shall hold the national, provincial, city and municipal governments of the
6 Philippines free from all claims, accounts, demands or actions arising out of
7 accidents or injuries, whether to property or to persons, caused by the construction or
8 operation of the stations, transmitters, facilities and equipment of the grantee.

9 SEC. 15. *Non-Transferability of Franchise* – The grantee shall not lease,
10 transfer, grant the usufruct of, sell nor assign this franchise or the rights and
11 privileges acquired thereunder to any person, firm, company, corporation or other
12 commercial or legal entity, nor merge with any other corporation or entity, nor shall
13 the controlling interest of the grantee be transferred, whether as a whole or in parts
14 and whether simultaneously or contemporaneously, to any such person, firm,
15 company, corporation or entity without the prior approval of the Congress of the
16 Philippines. The conditions, terms, restrictions and limitations set by this Act shall be
17 imposed on any person or entity to which this franchise is sold, transferred or
18 assigned..

19 SEC. 16. *Dispersal of Ownership.* – In accordance with the constitutional
20 provision to encourage public participation in public utilities, the grantee shall offer at
21 least thirty percentum (30%) or a higher percentage that may hereafter be provided
22 by law of its outstanding capital stock in any securities exchange in the Philippines
23 within five (5) years from the commencement of its operations. Non-compliance
24 therewith shall render the franchise *ipso facto* revoked.

25 SEC. 17. *Reportorial Requirement.* – The grantee shall submit an annual
26 report to the Congress of the Philippines on its compliance with the terms and
27 conditions of the franchise and on its operations within sixty (60) days from the end of
28 every year.

1
2 SEC. 18. *Equality Clause.* - Any advantage, favor, privilege, exemption, or
3 immunity granted under existing franchise, or may hereafter be granted, shall *ipso*
4 *facto* become part of previously granted telecommunications franchises and shall be
5 accorded immediately and unconditionally to the grantees of such franchises:
6 *Provided, however,* That the foregoing shall neither apply to nor affect provisions of
7 telecommunications franchises concerning territory covered by the franchise, the life
8 span of the franchise or the type of service authorized by the franchise.

9 SEC. 19. *Separability Clause.* - If any of the sections or provisions of this Act
10 is held invalid, all other provisions not affected thereby shall remain valid.

11 SEC. 20. *Repealability and Non-exclusivity Clause.* - This franchise shall be
12 subject to amendment, alteration, or repeal by the Congress of the Philippines when
13 the public interest so requires and shall not be interpreted as an exclusive grant of
14 the privileges herein provided for.

15 SEC. 21. *Effectivity Clause.* - This Act shall take effect fifteen (15) days from
16 the date of its publication, upon the initiative of the grantee, in at least two (2) papers
17 of general circulation in the Philippines.

18 Approved,

FACT SHEET

House Bill No. **5574**

In Substitution to House Bill No. 4366

(As approved by the Committee on November 16, 2011)

AN ACT GRANTING THE TELECOMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE AND MAINTAIN TELECOMMUNICATIONS SYSTEMS THROUGHOUT THE PHILIPPINES

Introduced by: HON. GIORGIDI AGGABAO

Committee Referral: LEGISLATIVE FRANCHISES

Committee Chairperson: HON. MARCELINO C. TEODORO

OBJECTIVES:

- To improve and augment the present telecommunications system in the country.
- To offer the most effective and efficient telecommunications service by delivery in the country by utilizing the state-of-the art technologies.

KEY PROVISIONS:

- Grants the Telecommunications Technology Solutions, Inc. a franchise for twenty-five (25) years to construct, install, establish, operate and maintain telecommunications systems throughout the Philippines.
- Mandates grantee to render basic or enhanced telephone service in any city or municipality in the Philippines where it has an approved Certificate of Public Convenience or Provisional Authority for the establishment and operation of a telephone service.
- Requires the grantee to secure from the National Telecommunications Commission the appropriate permits and licenses for the location, construction, installation and operation of its telecommunications system.
- Enjoins the NTC to regulate the operation of the grantee's telecommunications system.
- Requires the grantee to consult DPWH and local governments concerned in the laying down of cables, erecting and maintaining posts or other supports.
- Requires the grantee to operate and maintain all its lines, cables, stations, systems and equipment for satisfactory transmission and reception at all times.
- Prohibits the grantee from leasing, transferring, selling, or assigning the franchise or the controlling interest thereof without prior approval of the Congress of the Philippines. The charges and rates for the grantee's telecommunication service shall be subject to the approval of the NTC.
- Authorizes the grantee to connect or demand connection of its telecommunications systems to any other telecommunications system to provide extended and improved telecom service to the public.
- Obliges the grantee to offer at least 30% of its outstanding capital, stock to the public within five(50 years from the commencement of its operation.

- Reserves right to the President of the Philippines, in times of war, rebellion, public peril, calamity, emergency, disaster or disturbance of peace and order or to temporarily take over and operate the stations or facilities of the grantee, to temporarily suspend the operation of any station or facility in the interest of public safety, security and public welfare, or to authorize the temporary use and operation thereof by any agency of the government.
- Requires the submission of annual report to Congress on its compliance on the terms and conditions of the franchise within sixty (60) days from the end of each year.

RELATED LAW:

- Republic Act No. 7925 – Public Telecommunications Policy Act of the Philippines