

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Second Regular Session

House Bill No. **7410**



INTRODUCED BY REPRESENTATIVE ARTHUR C. YAP

The Department of Information and Communications Technology (DICT) reported that to date, the Philippines has one of the lowest cellular tower densities in the world, with less than 20,000 towers serving a population of 105 million people.

According to Globe Telecom, user-per-site density in the Philippines is about 2,244, based on estimates of 21,000 total cell sites against internet users of around 47.1 million. Vietnam, which is similar in size to the Philippines, has a much lower user-per-site density of only 860 based on a total number of 55,000 cell sites against 47.3 million internet users. Malaysia, with a 22,000 cell sites against 20.6 million internet users, has a user-per-site density of 937. Japan, with 220,000 cell sites against 115 million internet users, has a user-per-site density of 522 while China, with 1.18 million cell sites against 688 million internet users, has a user-per-site density of 566.

This is mainly the reason why the Philippines has the slowest internet speed in ASEAN. More cellular towers in an area will de-congest the network traffic which improves the internet speed.

This shows that wireless infrastructure plays a crucial role in how businesses, citizens and governments operate. These networks are critical to everything from education and business to public safety and health care.

In recent years, the mobile Internet penetration rate is growing at a rate of 1.5x (or 30 million users) and consume about 150k terabytes of every year. (<https://www.rappler.com/brandrap/profile-internet-users-ph>)

To support this massive growth in usage, today's wireless networks require robust wireless infrastructure. Wireless infrastructure provides the foundation upon which the wireless industry will deliver the applications, services, and jobs that will fuel the Philippine economy for years to come. Hence, it is critical for policy makers to continue to support the wireless infrastructure industry through prudent policies.

According to a 2016 World Bank Study entitled "Exploring the Relationship Between Broadband and Economic Growth", a 10% increase in fixed broadband penetration would increase GDP growth by 1.21% in developed economies and 1.38% in developing ones.

In the United States, wireless infrastructure providers, the largest being organized as real estate investment trusts ("REITs") have played a key role in wireless infrastructure funding for years. As REITS, these companies are able to drive the industry forward with

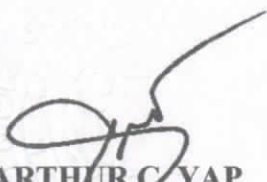
increased investments as wireless carriers demand more network capacity to deliver their growing lists of mobile services to customers.

In the Philippines, Real Estate Investment Trusts ("REITs") was created Dec. 17, 2009 Republic Act No. 9856 also known as the Real Estate Investment Trust Law of 2009 lapsed into law. However, despite the excitement during the passage of the REIT law, we still have a dearth in the REIT market to date.

One of the main reasons is the imposition of the 12% VAT on the transfer of real property to a REIT even if the transfer is a tax free exchange. However, one amendment introduced by the TRAIN law may help push the development of the REIT market in the country. Section 109 of the Tax Code has been amended to include transfers of property under Section 40 (c) (2) of the Tax Code or tax-free exchanges as exempt from value added tax. The TRAIN amendment directly addresses one of the main reasons cited by property developers as hindrance to forming REIT corporations. With the amendment, property owners can now transfer qualified real property assets to the REIT corporations without incurring the 12% value added tax.

Hence, the creation of REIT corporations for cellular towers may now provide new capital for wireless telecommunications infrastructure investments. This bill seeks to mandate all telecommunications company to transfer their cell towers to REIT corporations.

In view of the foregoing, the immediate passage of the bill is earnestly sought.



ARTHUR C. YAP
Representative

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AN ACT
MANDATING THE WIRELESS TELECOM
COMPANIES TO TRANSFER FIVE YEAR OLD CELL
TOWERS TO REIT CORPORATIONS

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

1 **SECTION 1. Title.** - This Act shall be known as the "TELECOM
2 TOWER REIT ACT".

3 **SEC. 2. Declaration of Policy.** – It is the policy of the State to
4 recognize the vital role of communication and information in nation-
5 building, to promote the development of the capital market and use it as an
6 instrument to help finance and develop infrastructure projects.

7 **SEC. 3. REIT.** – All telecommunications companies are hereby
8 mandated to transfer all their over five year old telecom towers to a Real
9 Estate Investment Trust (REIT) corporation in accordance with Republic Act
10 No. 9856, otherwise known as “The Real Estate Investment Trust Act of
11 2009.”

12 **SEC. 4. Coverage.** - This Act shall cover all telecom towers that are at
13 least five years old and above upon the effectivity of this Act.

1 **SEC. 5. *Implementing Rules and Regulations.*** - The DICT in
2 coordination with the SEC shall promulgate the necessary rules and
3 regulations for the effective implementation of this Act.

4 **SEC. 6. *Separability Clause.*** - If any provision of this Act is declared
5 unconstitutional or invalid, other parts or provisions hereof not affected
6 thereby shall continue to be in full force and effect.

7 **SECTION 7. *Effectivity.*** - This Act shall take effect fifteen (15) days
8 from its complete publication in the Official Gazette or in a newspaper of
9 general circulation in the Philippines, whichever comes earlier.

APPROVED.