



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL No. **5469**



Introduced by HONORABLE ERNESTO “ERNIX” M. DIONISIO, JR.

AN ACT
PROMOTING THE GROWTH AND DEVELOPMENT OF WIRED INTERNET
INFRASTRUCTURE IN RURAL AREAS, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Filipinos in rural communities have long been at a disadvantage in terms of accessibility and connectivity to Internet services, relative to their counterpart in urban areas. While 32.3% of households in NCR have Internet, only 5.7% of households in Region V, and 5.1% in Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) do – illustrating that the 84.3% of households and 70% of barangays without Internet are disproportionately in the countryside.¹ Moreover, where those in highly-developed areas can rely on fast and reliable fiber optic connectivity, those in the countryside make do with inconsistent mobile data– if available at all.

The necessity of Internet connectivity, and the gap in access between urban and rural areas, only became more apparent during the COVID-19 pandemic as work and learning activities shifted online. News reports frequently showed teachers and students in the countryside climbing rooftops to access spotty mobile connectivity, bereft of the wired connections enjoyed by their peers in urban areas. In other cases, those who had access only to congested mobile networks joined those without Internet access at all in being left out of online classes, remote work, telehealth, and other high-bandwidth applications.

Figures from the pandemic bear this out: of the more than 19 million public K-12 students enrolled in school year 2020-2021, 79% had to make do with learning using printed modules, with only about 7% able to go online.² A World Bank study found that without direct access to teachers or interactive learning resources, “learning poverty” among Filipino students reached 90% in 2021, with 9 out of 10 10-year-olds falling below the minimum expected proficiency for reading skills.³

¹ National Information and Communications Technology Household Survey (NICTHS). 2020 June 26.
<https://dict.gov.ph/ictstatistics/nicths2019/>

² Lleo, M. A. (2021). DepEd Basic Education Statistics for School Year 2020-2021. TeacherPH.
<https://www.teacherph.com/depd-basic-education-statistics-school-year-2020-2021/>

³ Cordero, T. (24 Nov 2021). World Bank: 90% of 10-year-olds in remote classes can't read. GMA News.
<https://www.gmanetwork.com/news/topstories/nation/812114/world-bank-90-of-10-year-olds-in-remote-classes-can-t-read/story/>

With data from the International Telecommunication Union (ITU) suggesting that fixed broadband usage in developing nations has flattened since the pandemic, it is unlikely that users in the countryside will get access to world-class fiber Internet without intervention.⁴ In the Philippines, to compensate for the lack of accessibility to wired Internet connections, Filipinos resort to mobile cellular services.⁵ However, the pandemic has shown us that mobile data can be unreliable when it comes to time- and latency-sensitive activities such as digital payments and expensive if used for bandwidth-heavy services such as video calls or virtual meeting platforms.

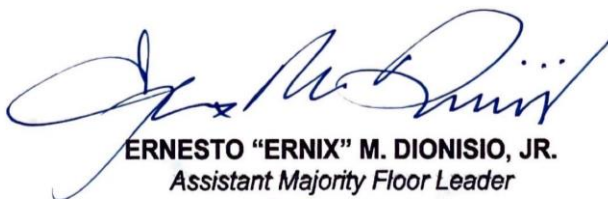
Despite the government's efforts to promote digital inclusion, such as through the Free Internet Access in Public Places Act, rural areas continue to be sparsely covered by wired broadband networks. These communities are considered less commercially viable by the big telecommunication operators, whose business models do not apply to the lower population densities and difficult terrain in the countryside.⁶ It is therefore critical to support alternative players who can deploy the fiber infrastructure necessary to support all Internet technologies – whether wired or wireless. Robust rural wired infrastructure is key to an inclusive and accessible Internet ecosystem where different types of broadband technologies are available, even in the countryside.

To address the digital divide and facilitate Internet infrastructure rollout in rural areas, this bill aims to:

- Incentivize industry players and/or local Internet services providers to expand their ICT services in rural areas and include opportunities for providing access to radio spectrum;
- Simplify the qualification and registration process, and consider the creation of a new classification, Rural Wired Internet Providers (RWIPs), that will be subject to the incentives and other benefits;
- Promote infrastructure sharing through a "dig once" policy, as well as cross-sector infrastructure sharing; and
- Allow access to network resources, which will potentially allow RWIPs to access wired and wireless networks.

At a time when Internet connectivity is almost as important as having access to electricity, it is only appropriate that the government step up to address digital inequality.

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



ERNESTO "ERNIX" M. DIONISIO, JR.
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First Congressional District of Manila

⁴ International Telecommunication Union. 2021. Measuring Digital Development: Facts and figures 2021. <https://www.itu.int/en/ITU-D/Statistics/Documents/facts/FactsFigures2021.pdf>

⁵ Santos, Mary Grace Mirandilla. September 2021. Bridging the digital infrastructure gap: Policy options for connecting Filipinos. PIDS ISSN 2508-0865, No. 2021-07. <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidspn2107.pdf>

⁶ Rural Communications. Retrieved from <https://www.itu.int/en/ITU-D/Technology/Pages/RuralCommunications.aspx>



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

Section 1. Short Title. - This Act shall be known as "Rural Wired Internet Development Act."

Section 2. Declaration of Policy. - The State reaffirms its recognition of the vital role of communication and information in nation-building, as stated in Article II, Section 24, of the Constitution. As such, it is hereby declared the policy of the State to improve Internet accessibility in rural areas and promote digital equality.

Section 3. Definition of Terms. - For purposes of this Act, the following terms shall mean:

- a. Customer Premises Equipment (CPE) - refers to service provider equipment set up on the physical location of the subscriber to provide the subscriber with Internet services. A CPE may include, but is not limited to, a telephone handset, modems, and router.
- b. Cost to connect- refers to the sum of the following costs:
 - i. Cost of the wire used to connect the facility to the CPE of the subscriber;
 - ii. Costs related to equipment used by the small player to ensure an acceptable level of quality of service, such as signal amplifiers, which are installed outside of the facility and along the connection distance;
 - iii. Costs related to the mounting of the wire in compliance with good engineering practice, such as, but is not limited to, brackets, staples, and hangers used along the connection distance.
 - iv. Costs related to the mounting of the wire in compliance with third-party business arrangements, such as, but not limited to, pole rental fees.

- c. Facility, refers to a permanent structure, comprised of (a) all installed electrical and electronic wiring, cabling, and equipment; and (b) all supporting structures, such as utility, ground network, and electrical supporting structures, from which wired services are delivered to subscribers.
- d. Project – refers to a wired infrastructure build out plan of an RWISP.
- e. Rural Wired Internet Service Provider (RWISP) - refers to any entity, duly authorized or registered by the National Telecommunications Commission (NTC) that operates at least one facility and offers internet service using wired technology, such as but not limited to, copper wire, coaxial cable, or optical fiber, that is used to deliver internet services in a city or municipality, where 50% of barangays are classified as rural by the Philippine Statistics Authority (PSA).
- f. Total network cost – refers to the total cost of connection, equipment to maintain service level, customer premise equipment, and mounting of facilities necessary for the ISP to deliver wired internet services to the subscriber.

Section 4. Eligibility To Access Incentives. - A RWISP shall be granted an incentive for building and operating a wired internet network to connect a new subscriber, provided that:

- a. The total network cost per project is at least three (PHP 3) million pesos but not exceeding one hundred (PHP 100) million pesos, as indicated in the network plan submitted to the NTC; and
- b. The RWISP's facility extends to a subscriber CPE located in a rural barangay, as classified by the PSA.

Additional incentives may apply to RWISPs that build their facilities underground to promote network resilience against disasters and the safety and well-being of the community where the ISPs operate.

Section 5. Proof of Installation. - Subject to existing regulations and evidence requirements of the Bureau of Internal Revenue (BIR), an Audited Financial Statement containing the following may be used by the RWISP to prove:

- a. Income tax paid in the previous year;
- b. Total number of subscribers;
- c. Total number of new subscribers;
- d. Total number of new subscribers for installations that may be granted incentives;
- e. Total number of rural barangays covered by a project;
- f. Total cost to connect for installations that may be granted incentives; and
- g. Total costs of the CPES for installations that may be granted incentives.

Nothing in this Act shall be construed as limitations to the power of the BIR and other regulatory agencies to perform audits and other regulatory functions in pursuit of this Act.

Section 6. Incentives. - The fiscal incentives review board shall grant incentives to eligible RWISPs who shall apply for such incentives.

A RWISP may choose either, but not both, of the following incentive schemes:

- a. Total of costs of CPEs of new installations, to be applied as a tax credit, for five (5) years, or;
- b. Total of costs of CPEs and costs to connect new installations, to be applied as a tax credit, for three (3) years.

A RWISP may choose either, but not both, of the following taxes to which the tax credits may be applied:

- a. Value added tax, remitted quarterly, or;
- b. Income tax, remitted annually.

Section 7. Ease of doing business. – to fast-track the development of wired internet networks and facilitate the implementation of this act, the following policy and regulation shall apply:

- a. All ISPs shall register with, and submit their network plans to, the ntc who shall decide on the application using an administrative process, within 60 days from the receipt of the application;
- b. A duly registered ISP shall be allowed to build and operate a wired network, which may traverse cities and municipalities, to acquire bandwidth for its own use without the need to secure a legislative franchise, provisional authority, or a certificate of public convenience and necessity or CPCN from the NTC;
- c. The Department of Information and Communications Technology (DICT) shall promulgate, together with the Anti-Red Tape Authority (ARTA) and other relevant government agencies, rules, policies, and regulations that mandate the streamlining and fast-tracking of the approval process by national government agencies, local government units, homeowners' associations, and premises and estate management, for permits, registrations, forms, certificates, requests or other requirements for the installation and deployment of internet networks, including supporting structures, in accordance with the provisions of Republic Act No. 11032 also known as the Ease of Doing Business Act, or its amendments or future iterations; and
- d. As far as possible, a wired internet network shall be deployed together with roadworks, pipe-laying, and other infrastructure development in other networked infrastructure by both government and private entities.

Section 8. Penalties. - An ISP who fraudulently accesses the incentives provided by this Act shall be penalized by three (3) times the total amount of tax credits granted.

Section 9. Preparation of Revenue Memorandum Circular. - The BIR shall publish a Revenue Memorandum Circular for the implementation of this Act within 90 days from its approval.

Section 10. Separability clause. - Any portion or provision of this Act is declared unconstitutional, the remainder of the Act or any provisions not affected thereby shall remain in force and effect.

Section 11. Repealing clause. - Any law, presidential decree or issuance, executive order, letter of instruction, rule, or regulation inconsistent with the provisions of this Act is hereby repealed or modified accordingly.

Section 12. Effectivity clause. - This Act shall take effect after fifteen (15) days following its complete publication in the Official Gazette or a newspaper of general circulation.

Approved,