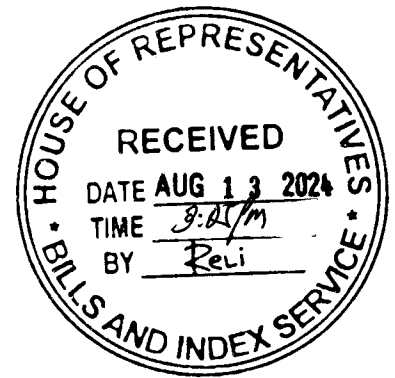




Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

NINETEENTH CONGRESS
Third Regular Session

HOUSE BILL NO. 10753



Introduced by REPRESENTATIVE AURELIO "DONG" D. GONZALES, JR.

EXPLANATORY NOTE

A reliable digital infrastructure is necessary to keep the country connected and the economy and society functional. However, according to the World Bank while the Philippines has accelerated the adoption and use of digital technologies, digitalization is largely constrained by its low high-speed broadband penetration, which lags behind neighboring middle-income countries.¹ The World Bank has also noted that the density of digital solution providers in the country was only 0.5 digital businesses per US\$1 billion of economic output in 2020 compared to 9.2 for Vietnam and 14.9 for Malaysia.² It was also noted in the report that there has been uneven adoption of digital technology in areas outside the National Capital Region and key metropolitan cities.³

In its Philippine Economy Update June 2022 edition, the World Bank highlighted the benefits of a digital economy and how it can be shared by all sectors of society in the Philippines. It will lead to enhanced productivity, empower firms to access markets beyond traditional boundaries, and will allow Philippine local micro, small, and medium enterprises (MSMEs) competing in the global market on the back of

¹ World Bank. 2020. *Philippines Digital Economy Report 2020 : A Better Normal Under COVID-19 - Digitalizing the Philippine Economy Now*. World Bank, Washington, DC. © World Bank.
<https://openknowledge.worldbank.org/handle/10986/34606> License: CC BY 3.0 IGO.

² World Bank, 2022, Philippine Economy Update June 2022 edition, World Bank, Washington, DC. © World Bank.

³ World Bank, 2022, Philippine Economy Update June 2022 edition, World Bank, Washington, DC. © World Bank.

digital technology. The World Bank highlighted that a 10% increase in Internet use in an exporting country is found to increase the number of products traded between two countries by 0.4 percent. The World Bank also noted that fixed broadband, which is crucial for high volume data fixed data transmission and necessary for large businesses and institutions, continues to lag compared to its peers in the ASEAN region. It has also identified underinvestment, insufficient competition, and outdated legal, policy, and regulatory frameworks as among the challenges for the Philippine digital economy. To address these challenges, the World Bank recommended introducing pro-competition legislation for shared deployment of network infrastructure and by streamlining of permitting, efficiently allocating spectrum, and advancing public private partnership models for investment and management of infrastructure.

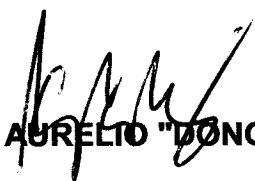
The Philippines needs to continue to improve its digital infrastructure and this issue must be approached together by the government and the private sector to address the structural and regulatory issues that constrain the country's digital infrastructure. As the government aims to narrow the digital divide in the country and in support of the Marcos administration's goal of inclusive and sustainable social and economic transformation, government should also leverage on its existing digital infrastructure and support its existing telecommunications providers to aggressively expand their systems to connect more households to the internet.

Given the foregoing, the initial public offering of Converge Information and Communications Technology Solutions, Inc. ("**Converge**") in 2020 and its on-going expansion throughout the country is indeed timely and crucial as the country seeks to bridge the digital divide.

The Bill proposes to mandate Converge to extend its services in areas underserved or not yet served by the grantee as may be determined by the National Telecommunications Commission. It will also require Converge to allow third party service providers and co-locators to utilize the excess capacity of its network in order to lower the barriers to entry in the telecommunications industry. To promote and support this expansion, the Bill will grant Converge a 25-year extension of its franchise and tax exemptions.

In recognition of the initial public offering of Converge, which was one of the largest in Southeast Asia, and considering market conditions, the Bill also proposes to align the minimum public ownership requirement to the requirements of the Securities and Exchange Commission and the Philippine Stock Exchange.

In view of the foregoing, the approval of this Bill is earnestly sought.


REP. AURELIO "DONG" D. GONZALES, JR.
3rd District, Pampanga



HOUSE BILL NO. 10753

Introduced by REPRESENTATIVE AURELIO "DONG" D. GONZALES, JR.

AN ACT
RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE
GRANTED TO CONVERGE INFORMATION AND COMMUNICATIONS
TECHNOLOGY SOLUTIONS, INC., AMENDING FOR THIS PURPOSE REPUBLIC
ACT NO. 9707 ENTITLED "AN ACT GRANTING THE CONVERGE INFORMATION
AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. A FRANCHISE TO
CONSTRUCT, INSTALL, ESTABLISH, OPERATE AND MAINTAIN
TELECOMMUNICATIONS SYSTEMS THROUGHOUT THE PHILIPPINES"

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

Section 1. *Nature and Scope of Franchise.* - Subject to the provisions of the Constitution and applicable laws, rules and regulations, the franchise granted to Converge Information and Communications Technology Solutions, Inc., hereunder referred to as the grantee, its successors or assignees, under Republic Act No. 9707 to construct, install, establish, operate and maintain for commercial purposes and in the public interest, throughout the Philippines and between the Philippines and other countries and territories, wire and/or wireless telecommunications systems including, but not limited to, mobile, cellular, paging, fiber optics, multichannel multipoint distribution system (MMDS), local multipoint distribution system (LMDS), satellite transmit and receive systems, switches and their value-added services such as, but not limited to, transmission of voice, data, facsimile, control signs, audio and video, information services bureau and all other telecommunications systems technologies as are at present available or will be made available through technological advances or innovations in the future; and/or construct, acquire, lease and operate or manage transmitting and receiving stations, lines, cables or systems as in or are convenient or essential to efficiently carry out the purpose of this franchise, is hereby renewed for another twenty-five (25) years from the end of the original term of the franchise on August 8, 2034, or until August 8, 2059.

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

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

Section 4. Excavation and Restoration Works. - For the purpose of erecting and maintaining poles or other supports for said wires or other conductors for the purpose of laying and maintaining underground wires, cables, or other conductors, it shall be lawful for the grantee, its successors or assignees, with the prior approval of the Department of Public Works and Highways (DPWH) or the local government unit (LGU) concerned, as may be appropriate, to make excavations or lay conduits in any of the public places, roads, highways, streets, lanes, alleys, avenues, sidewalks, or bridges of the province, cities and/or municipalities: the DPWH or the LGU concerned shall have seven (7) working days to review the application for approval by the grantee. In the event that no decision is made within such period, the application shall be deemed approved; Provided, however, That a public place, road, highway, street, lane, alley, avenue, sidewalk, or bridge disturbed, altered or changed by reason of erection of poles or other supports or the underground laying of wires, other conductors or conduits, shall be repaired and replaced in workmanlike manner by said grantee, its successors or assignees, in accordance with the standards set by the DPWH or LGU concerned. Should the grantee, its successors or assignees, after the ten (10)-day notice from the said authority, fail, refuse, or neglect to repair or replace any part of public place, road, highway, street, lane, alley, avenue, sidewalk, or bridge disturbed, altered or changed by the said grantee, its successors or assignees, then the DPWH or LGU concerned shall have the right to have the same repaired and placed in good order and condition, and charged against the grantee, its successors or assignees at double the amount of the costs and expenses for such repair or replacement.

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

The grantee shall provide basic or enhanced telephone service in any municipality in the Philippines where it has an approved certificate of public convenience and necessity for the establishment, operation and maintenance of basic and/or enhanced local exchange service, without discrimination to any applicant therefore, in the order of the date of their applications, up to the limit of the capacity of its local telephone exchange, and should the demand for the telephone service at any time increase beyond the capacity thereof, the grantee shall increase the same to meet such

demand: Provided, That in case the total demand to be satisfied by the expansion is less than the smallest viable local exchange available in the market as determined by the Commission, the grantee shall not be obliged to furnish such service unless the applicant for telephone service defrays the actual expenses for the installation of the telecommunications apparatus necessary for such services and, in such case, the Commission may extend the time within which the grantee shall furnish such service.

The grantee shall operate and maintain all its stations, lines, cables, systems and equipment for the transmission and reception of messages, signals and pulses in a satisfactory manner at all times and, as far as economical and practicable, modify, improve or change such stations, lines, cables, systems and equipment to keep abreast with the advances in science and technology.

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

Section 7. Right of the Government. - The radio spectrum is a finite resource that is part of the national patrimony and the use thereof is a privilege conferred upon the grantee by the State and may be withdrawn any time after due process.

A special right is hereby reserved to the President of the Philippines, in times of war, rebellion, public peril, calamity, emergency, disaster, or disturbance of peace and order: to temporarily take over and operate the stations, transmitters, facilities, or equipment of the grantee; to temporarily suspend the operation of any station, transmitter, facility, or equipment 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, upon due compensation to the grantee, for the use of said stations, transmitters, facilities, or equipment during the period when these shall be so operated.

Section 8. Term of Franchise. – This franchise shall be in effect for a period of twenty-five (25) years from the end of the original term of the franchise on August 8, 2034, or until August 8, 2059, unless sooner revoked or cancelled. This franchise shall be deemed ipso facto revoked in the event the grantee fails to operate continuously for two (2) years.

Section 9. Acceptance and Compliance. — Acceptance of this franchise shall be given in writing within sixty (60) days from the effectivity of this Act. Upon giving such acceptance, the grantee shall exercise the privileges granted under this Act. Nonacceptance shall render the franchise void.

Section 10. Right of Interconnection. - The grantee is hereby authorized to connect or demand connection of its telecommunications systems to other telecommunications systems installed, operated, and maintained by any other duly authorized person or entity in the Philippines for the purpose of providing extended and improved

telecommunications services to the public, under the terms and conditions mutually agreed upon by the parties concerned. This right shall be subject to review and modification by the NTC.

Section 11. *Warranty in Favor of the National and Local Governments.* - The grantee shall hold the national, provincial, city, and municipal governments of the Philippines free from all claims, liabilities, accounts, demands, or actions arising out of accidents causing injury to persons or damage to properties, during the construction or operation of the stations, transmitters, facilities, or equipment of the grantee.

Section 12. *Sale, Lease, Transfer, Usufruct, or Assignment of Franchise.* - The grantee shall not lease, transfer, grant the usufruct of, sell nor assign this franchise or the rights and privileges acquired thereunder to any person, firm, company, corporation or other commercial or legal entity, nor merge with any other corporation or entity, nor shall the controlling interest of the grantee be transferred, whether as a whole or in parts and whether simultaneously or contemporaneously, to any such person, firm, company, corporation or entity without the prior approval of the Congress of the Philippines, except when the transfer is done: (a) through a stock exchange transaction; (b) for purposes of qualifying persons for election to the board; (c) to a corporation that is controlled by the same stockholders as that of the grantee; (d) to person, firm, company, corporation or entity with a valid and existing legislative franchise for telecommunications; or (e) where the grantee is the surviving corporation: *Provided*, That the foregoing limitations shall not apply to: (1) any transfer or issuance of shares of stock in the implementation of the requirement for the dispersal of the grantee's ownership pursuant to Section 13 of this Act; (2) any transfer or sale of shares of stock to a foreign investor or investors; (3) any issuance of shares to a foreign or local investor pursuant to or in connection with any increase in the grantee's authorized capital stock which results in the dilution of the stockholdings of the grantee's then existing stockholders; or (4) any combination thereof where such transfer, sale or issuance is effected in order to enable the grantee to raise the necessary capital or financing for the provision of the services for which the grantee has been incorporated or organized: *Provided, further*, That any such transfer, sale or issuance is in accordance with any applicable constitutional provision. Any person or entity to which this franchise is validly sold, transferred or assigned shall be subject to the same conditions, terms, restrictions and limitations of this Act.

Section 13. *Dispersal of Ownership.* In accordance with the constitutional provision to encourage public participation in public utilities, the grantee shall offer at least thirty per centum (30%) of its outstanding capital stock or a higher percentage that may hereafter be provided by law in any securities exchange in the Philippines within five (5) years from the commencement of its operations. Noncompliance therewith shall render the franchise ipso facto revoked.

Section 14. *Commitment to Provide and Promote the Creation of Employment Opportunities.* - The grantee shall create employment opportunities and shall allow on-the-job trainings in its franchise operation: *Provided*, That priority shall be accorded to the residents in areas where the grantee's principal office is located: *Provided, further*, That the grantee shall follow the applicable labor standards and allowance entitlement under existing labor laws, rules and regulations and similar issuances: *Provided, finally*, That the employment opportunities or jobs created shall be reflected

in the General Information Sheet (GIS) to be submitted to the Securities and Exchange Commission annually.

Section 15. Reportorial Requirement. - The grantee shall submit an annual report to the Congress of the Philippines, through the Committee on Legislative Franchises of the House of Representatives and the Committee on Public Services of the Senate, on its compliance with the terms and conditions of the franchise and on its operations on or before April 30 of every year during the term of its franchise.

The annual report shall include an update on the roll-out, development, operation and/or expansion of business; audited financial statements; latest GIS officially submitted to the SEC, if applicable; certification of the NTC on the status of its permits and operations; and an update on the dispersal of ownership undertaking, if applicable.

The reportorial compliance certificate issued by Congress shall be required before any application for permit or certificate is accepted by the NTC.

Section 16. Fine. - Failure of the grantee to submit the requisite annual report to the Congress shall be penalized with a fine in the amount of One thousand pesos (P1,000.00) per working day of noncompliance, the effectivity of which shall commence upon applicability with other telecommunications franchise grantees: provided, That in the interim, the grantee shall be liable to pay the fine of Five hundred pesos (P500.00) per working day of noncompliance. The fine shall be collected by the NTC from the delinquent franchise grantee separate from the reportorial penalties imposed by the NTC, and the same shall be remitted to the Bureau of the Treasury.

Section 17. Equality Clause. - Any advantage, favor, privilege, exemption or immunity granted under existing franchises for telecommunications system, or which may hereafter be granted, shall ipso facto become part of this franchise and shall be accorded immediately and unconditionally to the herein grantee: Provided, however, That the foregoing shall neither apply to nor affect provisions of telecommunications franchises concerning territory covered by the franchise, the life span of the franchise or the type of service authorized by the franchise.

Section 18. Repealability and Nonexclusivity Clause. - This franchise shall be subject to amendment, alteration, or repeal by the Congress of the Philippines when the public interest so requires and shall not be interpreted as an exclusive grant of the privileges herein, provided for.

Section 19. Tax Provisions. - The grantee, its successors or assignees, shall be liable to pay the same taxes on their real estate, buildings and personal property, exclusive of this franchise, as other persons or corporations which are now or hereafter may be required by law to pay, except radio telecommunications and electronic communications equipment, machinery and spare parts needed in connection with the business of the grantee which shall be exempt from customs duties, tariffs and other taxes, as well as those declared exempt in this section. In addition thereto, the grantee, its successors or assignees, shall pay a value-added tax on all gross receipts of the business transacted under this franchise by the grantee, its successors or assignees,

in the Philippines, in lieu of any and all taxes of any kind, nature or description levied, established or collected by an authority whatsoever including, but not limited to, city, municipal, provincial or national, from which the grantee is hereby expressly exempted effective from the date of the effectivity of this Act: Provided, That the grantee, its successors or assignees, shall continue to be liable for income taxes payable under Title II of the National Internal Revenue Code pursuant to Section 2 of Executive Order No. 72 unless the latter enactment is amended or repealed, in which case the amendment or repeal shall be applicable thereto.

The grantee shall file the return with and pay the tax due thereon to the Commissioner of Internal Revenue or his duly authorized representative in accordance with the National Internal Revenue Code and the return shall be subject to audit by the Bureau of Internal Revenue.

Section 20. *Applicability Clause.* - All other provisions of Republic Act No. 9707 which are not inconsistent with the provisions of this Act and remain unrepealed shall continue to be in full force and effect.

Section 21. *Separability Clause.* - If any of the sections or provisions of this Act is held invalid, all other provisions not affected thereby shall remain valid.

Section 22. *Repealing Clause.* - All laws, decrees, executive orders, rules and regulations, or parts or provisions thereof which are not consistent with this Act are hereby repealed, amended, or modified accordingly.

Section 23. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,