

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
20TH CONGRESS
First Regular Session



House Bill No. 4587

Introduced by: **REP. JOEL R. CHUA**

Explanatory Note

Domestic Satellite Philippines, Inc. (DOMSAT), a stock corporation registered with the Securities and Exchange Commission on 09 June 1975 under SEC Registration No. 61895, is a leading telecommunications company based in the Philippines. It was established to provide throughout the Philippines – as a carrier’s carrier – any and all types of telecommunication services available through the use of space relay and repeater stations mounted on or within communications satellites.

Since 1975, DOMSAT has been at the forefront of providing satellite-based communication solutions to businesses and consumers across the country. DOMSAT's mission is to connect Filipinos through advanced satellite technology, empowering businesses, communities, and individuals across the Philippines. DOMSAT strives to bridge the digital divide by delivering high-quality, cost-effective, and reliable satellite communication solutions that enable connectivity, enhance productivity, and drive socio-economic growth in the region.

With a strong commitment to innovation, reliability, and customer satisfaction, DOMSAT has become a trusted name in the industry, offering a range of products and services tailored to meet the evolving needs of the public. DOMSAT provides high-speed, reliable, and secure internet connectivity to businesses and consumers in areas where internet connectivity is limited or unavailable. At present, DOMSAT’s satellite internet solutions offer fast speeds and low latency, enabling seamless communication and access to digital resources. It also offers customized VSAT solutions for various industries, including banking, maritime, oil and gas, government, and disaster recovery, which allow them to establish robust communication networks, to enable data transfer, video conferencing, remote monitoring, and other essential applications.

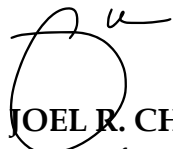
More importantly, DOMSAT is committed to giving back to society and supporting communities in need. Through its CSR initiatives, DOMSAT is engaged in

programs focused on digital literacy, education enhancement, disaster resilience, and environmental sustainability.

On the other hand, the telecommunication industry – without any doubt – is capital-intensive and high technology-dependent. In other words, to fully harness and utilize its benefits, substantial and considerable investments in emerging and modern telecommunication facilities are needed. Needless to say, only after investing in a state-of-the-art, sophisticated, and efficient telecommunication and transmission system can we expect positive changes and improvement in the means information is received by, and disseminated to, the public. Thus, it is imperative that the government continue to play an active role in sustaining and encouraging the development of telecommunication industry. The government has to attract, promote, and welcome more capital infusion and investments into the telecommunication industry. Equally important, the government has to ensure that any and all existing infrastructure and facilities are utilized to the fullest extent possible and that the owners/investors thereof can continue their service and assistance to the nation.

In its commitment to providing innovative ways to deliver public service to the Filipino people, DOMSAT has been aggressively rolling out its network throughout the country. DOMSAT has made, and intends to make, significant capital investments to upgrade, improve, and enhance its telecommunication facilities, transmission, and satellite system. DOMSAT has substantially complied with all applicable permits. In recognition of the capital requirements of DOMSAT's operations, the renewal and expansion of its franchise are recommended to fully utilize the capital invested therein, to ensure the uninterrupted, nationwide, and improved delivery of its internet services to the Filipino people, to fully assist the government in disseminating information to the people, and to enrich, enhance, and improve the telecommunication system in our country.

It is in the best interest of the State and public that DOMSAT's franchise be extended. In view of the foregoing, this bill is respectfully submitted for consideration and approval.



REP. JOEL R. CHUA
3rd District of Manila

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"AN ACT

AMENDING, AND RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS, THE FRANCHISE GRANTED TO DOMESTIC SATELLITE PHILIPPINES, INCORPORATED UNDER PRESIDENTIAL DECREE 947, ENTITLED "A PRESIDENTIAL DECREE GRANTING DOMSAT A FRANCHISE TO INSTALL, MAINTAIN AND OPERATE TELECOMMUNICATIONS SERVICES, IN ANY PLACE IN THE PHILIPPINES STATIONS FOR PROVIDING TELECOMMUNICATION SERVICES THROUGH THE USE OF SATELLITES, TELECOMMUNICATIONS (RADIO, TELEGRAPH, TELEPHONE, AND TELEVISION SYSTEMS), LINES, CIRCUITS, WIRE AND/OR WIRELESS TO SERVE ALL THOSE NEEDING SUCH SERVICE ON LAND, AT SEA, AND IN THE AIR"

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

Section 1. Subject to the provisions of the Constitution and applicable law, rules and regulations, there is hereby granted to DOMESTIC SATELLITE PHILIPPINES, INC., hereunder referred as the grantee, its successors or assignees, a franchise to construct, establish, install, lease, co-use, purchase, operate and maintain, for commercial purposes and in the public interest, as carrier's carrier or otherwise, any and all types of telecommunications or electronic communications services available through the use of State-of-the-Art, High Throughput Software Defined Satellite (HTSDS) or through means which in the future technologies and applications may be developed and utilized with authority to receive and transmit messages, impressions, pictures, music, entertainment, advertising and signal throughout the Philippines (including ships at sea, airplanes, and other conveyances) and between the Philippines and other countries and territories, including outer space, to contract with and furnish connectivity solutions, to both satellite and all terrestrial users, and to charge and receive compensation therefor for tolls and charges.

Section 2. This franchise includes the right and authority of the Grantee to construct, launch, procure, own, lease and operate spaced based satellite infrastructure, and other ground facilities, as needed, to deliver telecommunications services to and from terrestrial communications systems and other network switching centers owned by domestic and international common carriers, television and radio broadcasting stations and networks, and terminals of specialized telecommunications network of government and/or private persons and/or corporations and/or Value Added Service Providers (VASP) such as computer/data communications systems and point-to-point or point-to-multi point switched broadband multimedia networks and the Internet. The Grantee may also assist, as required, in the development of nationwide television and radio purposes by the construction, operation and maintenance of necessary equipment and facilities. Further, the Grantee may, using its facilities, provide satellite telecommunications services as required to develop intra-regional communications of associations of which the Republic of the Philippines is a member country, utilizing existing or planned satellite systems as space relay devices provided that such provision of services does not conflict with the country's commitment as signatory to agreements of International Organizations.

Section 3. Subject to the limitations and procedures prescribed by law, the Grantee is authorized to exercise the rights of eminent domain insofar as may be reasonably necessary to further the establishment and efficient maintenance and operation of the telecommunication services, its system, lines, circuits and/or stations. The Grantee is authorized to construct and maintain its works of public utility and services over and across public property of the Philippines, including stations, highways, squares and reservations, and other similar property of the Philippines and its branches. The Grantee shall have a permanent utility right of way to make excavations, install posts or lay conduits in any of the public places, highways, streets, lanes, alleys, avenues, sidewalks, or bridges of provinces, cities and municipalities.

Section 4. *Authority of the National Telecommunications Commission.* - The grantee shall secure from the National Telecommunications Commission (NTC) a Certificate of Public Convenience and Necessity or the appropriate permits and licenses for the construction, installation and operation of its telecommunications systems, satellite networks, and/or facilities. In issuing the certificate, the NTC shall have the power to regulate and impose such conditions relative to the construction, operation, maintenance, or service level of the telecommunications systems or facilities. Such certificate shall state the areas covered and the date the grantee shall commence the service. The NTC shall not unreasonably withhold or delay the grant of frequency, authority, permit or license. Pending grant of frequency, the grantee is authorized to use any radio frequency for short or intermittent periods without prior authorization provided that a) such operation is confined to the immediate vicinity of the station; b) the nature or duration of the requirement is such that the assignment of specific frequencies is impracticable; and c) all reasonable measures are

taken before such frequencies are used to ensure that harmful interference will not be caused to authorized services.

In case of any violation of the provisions of this franchise, the NTC shall have the authority to revoke or suspend, after due process, the permits or licenses it issued pursuant to the franchise. The NTC may recommend to Congress the revocation of the franchise for any violation of the provisions of this franchise.

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

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.

The grantee shall improve and extend its services in areas not yet served, and in hazard and typhoon-prone areas that shall be determined by the National Disaster Risk Reduction and Management Council, or its legal successor, in coordination with the NTC. The grantee shall also improve and upgrade its equipment, facilities and services, in order to ensure effective compliance with the objectives of Republic Act No. 10639 or the "Free Mobile Disaster Alerts Act." The grantee may use any radio frequency in support of a response to disaster, emergency situation, public need, and/or situations where immediate danger exists to human life or property.

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 nonregulated 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 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 the 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 date of the effectivity of this Act, unless sooner cancelled. This franchise shall be deemed ipso facto revoked in the event the grantee fails to operate continuously for two (2) years.

Section 9. *Renewal or Extension of Franchise.* - The grantee shall apply for the renewal or extension of its franchise three (3) years before its expiration which shall be reckoned from fifteen (15) days after the publication of the franchise in the Official Gazette or in a newspaper of general circulation.

Section 10. The Grantee is hereby authorized to connect or demand connection of its telecommunications systems to any other telecommunications systems installed, operated and maintained by any other duly authorized person or entity in the Philippines for the purpose of providing telecommunications services to the public on such terms and conditions as may be prescribed from time to time by the National Telecommunications Commission.

Section 11. *Mobile Number Portability.* - The grantee shall provide mobile number portability (MNP) and its implementing mechanism, and shall interconnect, directly or indirectly, with the infrastructure, facilities, systems, or equipment of other telecommunications franchise grantees. It shall not install network features, functions, or capabilities that will impede the Implementation of a nationwide MNP system. The NTC shall issue rules and regulations for this purpose, the effectivity of which shall commence upon applicability with other telecommunications franchise grantees.

Section 12. *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 13. The Grantee shall not lease, transfer, grant the usufruct of, sell or assign this franchise, nor the rights or privileges acquired thereunder, to any person, firm, company, corporation or other commercial or legal entity, nor merge with any other company or corporation organized for the same purpose, without the prior approval of the Congress, except (a) when such person, firm, company, corporation or entity has a valid and

existing legislative franchise for telecommunications, or (b) where the Grantee is the surviving corporation; *Provided also*, that the foregoing limitations shall not apply to: (1) any transfer of sale of shares of stock to a foreign investor or investors, (2) any issuance of shares to any foreign or local investors 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; (3) 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 incorporate or organized. Any person, firm, company, corporation or other commercial or legal entity to which this franchise is sold, transferred or assigned shall be subject to all the conditions, terms, restrictions and limitations of this franchise as fully and completely and to the same extent as if the franchise had been granted to the same person, firm, company, corporation or other commercial or legal entity.

Section 14. This franchise shall not be interpreted to mean an exclusive grant of the privileges herein provided for. However, in the event any individual, partnership or corporation shall receive a similar permit or franchise with terms and/or provisions more favorable than those herein granted or which tend to place the Grantee herein at any disadvantage, then such terms and/or provisions shall, *ipso facto*, become part hereof and shall operate equally in favor of the Grantee herein.

Section 15. *Dispersal of Ownership.* - In accordance with the constitutional provision to encourage public participation in public utilities, the grantee shall offer to Filipino citizens at least thirty percent (30%) of its common stocks, or a higher percentage that may hereafter be provided by law, in any securities exchange in the Philippines within five (5) years from the effectivity of this Act: *Provided*, That in cases where public offer of shares is not applicable, other methods of encouraging public participation by citizens and corporations operating public utilities must be implemented. Noncompliance therewith shall render the franchise *ipso facto* revoked.

Section 16. *Commitment to Provide and Promote the Creation of Employment Opportunities.* - The grantee shall create employment opportunities and accept on the-job-trainees in its franchise operations: *Provided*, That priority shall be accorded to the residents of the place where the principal office of the grantee is located: *Provided further*, That the grantee shall ensure that at least sixty percent (60%) of its employees are regular employees and in no case shall the percentage of contractual employees, job orders, casuals, and independent contractors combined, exceed forty percent (40%) of its total workforce: *Provided, finally*, That the grantee shall comply with the applicable labor standards and allowance entitlement under existing labor laws, rules and regulations, and similar issuances.

The employment opportunities or jobs created shall be reflected in the General Information Sheet (GIS) to be submitted to Securities and Exchange Commission (SEC) annually. In addition, the grantee shall include in its annual report to Congress the

number of its regularized employees and secure a compliance and clearance certificate from the Department of Labor and Employment and its relevant attached agencies.

Section 17. Reportorial Requirement - The grantee shall submit an annual report on its compliance with the terms and conditions of the franchise and on its operations 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 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 18. Fine. - Failure of the grantee to submit the requisite annual report to Congress shall be penalized with a fine in the amount of One million pesos (P1,000,000.00) each 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 19. Repealability and Nonexclusivity Clause. — This franchise shall be subject to amendment, alteration, or repeal by Congress when the public interest so requires and shall not be interpreted as an exclusive grant of the privilege herein provided for.

Section 20. 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 21. Repealing Clause. - All laws, decrees, orders, resolutions, instructions, rules and regulations, and other issuances or parts thereof which are inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

Section 22. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

