Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
EIGHTEENTH CONGRESS
Second Regular Session

COMMITTEE REPORT NO. 406

Submitted by the Committee on Legislative Franchises on AUG 10 2020.

Re: House Bill No. 7332

Recommending its approval in substitution of House Bill No. 6917

Sponsors: Representatives Franz E. Alvarez and Wesley T. Gatchalian

Mr. Speaker:

The Committee on Legislative Franchises to which was referred House Bill No. 6917, authored by Rep. Wesley T. Gatchalian entitled:

"AN ACT RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO MINDANAO ISLAMIC TELEPHONE COMPANY, INC., PRESENTLY KNOWN AS DITO TELECOMMUNITY CORPORATION, AND AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 8627, ENTITLED "AN ACT GRANTING THE MINDANAO ISLAMIC TELEPHONE COMPANY, INC., A FRANCHISE TO CONSTRUCT, ESTABLISH, INSTALL, MAINTAIN AND OPERATE WIRE AND/OR WIRELESS TELECOMMUNICATIONS SYSTEM IN THE PHILIPPINES""

has considered the same and recommends that the attached House Bill No. 7332 entitled:

"AN ACT RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO MINDANAO ISLAMIC TELEPHONE COMPANY, INC., PRESENTLY KNOWN AS DITO TELECOMMUNITY CORPORATION, UNDER REPUBLIC ACT NO. 8627, ENTITLED "AN ACT GRANTING THE MINDANAO ISLAMIC TELEPHONE COMPANY, INC., A FRANCHISE TO CONSTRUCT, ESTABLISH, INSTALL, MAINTAIN AND OPERATE WIRE AND/OR WIRELESS TELECOMMUNICATIONS SYSTEM IN THE PHILIPPINES"

be approved in substitution of House Bill No. 6917 with Reps. Wesley T. Gatchalian and Franz E. Alvarez as authors thereof.
Respectfully submitted:

FRANZ E. ALVAREZ
Chairperson, Committee on Legislative Franchises

QUEZON CITY
HOUSE OF REPRESENTATIVES

THE HONORABLE SPEAKER
Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 7332
(In substitution of House Bill No. 6917)

Introduced by Reps. Wesley T. Gatchalian and Franz E. Alvarez

AN ACT

RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED
TO MINDANAO ISLAMIC TELEPHONE COMPANY, INC., PRESENTLY KNOWN AS
DITO TELECOMMUNITY CORPORATION, UNDER REPUBLIC ACT NO. 8627,
ENTITLED "AN ACT GRANTING THE MINDANAO ISLAMIC TELEPHONE COMPANY,
INC., A FRANCHISE TO CONSTRUCT, ESTABLISH, INSTALL, MAINTAIN AND
OPERATE WIRE AND/OR WIRELESS TELECOMMUNICATIONS SYSTEM IN 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
Mindanao Islamic Telephone Company Inc., now known as Dito Telecommunity
Corporation, granted under Republic Act 8627 and hereunder referred as the grantee, its
successors or assignees, the right, privilege and authority to carry on the business of
providing telecommunications services in and between provinces, cities and
municipalities in the Philippines and between the Philippines and other countries and
territories and, for this purpose, to establish, operate, manage, lease, maintain and
purchase telecommunications systems, including mobile, cellular and wired or wireless
telecommunications systems, fiber optics, satellite transmission and reception systems,
and other telecommunications systems and their value-added services such as
transmission of voice, data, facsimile, control signs, audio and video, and all other
telecommunications systems technologies as are at present available or will be made
available through technical advances or innovations in the future, or construct, acquire,
lease, and operate or manage transmitting and receiving stations and switching stations,
both for local and international services, lines, cables or systems, as is, 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 effectivity of this Act.

In this Act, the term 'Telecommunications' shall include 'electronic
telecommunications'. In addition, the following terms shall have the meanings set forth
herein:

'Electronic communications network' shall mean (a) a transmission system for
conveyance by means of electrical, magnetic, or electromagnetic energy, of signals of
any description; and (b) any of the following as are used by the persons providing the
system and in association with it, for conveyance of the signals: (i) apparatus comprised
in the system; (ii) apparatus used for the switching and routing of the systems; and (iii)
software and stored data;

'Electronic communications service' shall mean a service consisting in or having
as its principal feature the conveyance by means of electronic communications network
of signals. It includes wired, wireless, fixed, cellular, and/or mobile, or integrated
telecommunications/computer/electronic services, including value-added services, or
technologies related to such service, which are present available or made available
through technological advances or innovations in the future, and fixed and mobile
stations.

SEC. 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 assigned wavelengths or frequencies and the quality of transmission or reception
thereon as should maximize rendition of the grantee's services or the availability thereof.

SEC. 3. 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 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 grantee shall not use any
frequency in the radio spectrum without authorization from the NTC. The NTC, however,
shall not unreasonably withhold or delay the grant of such authority, permit or license.

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.

SEC. 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,
routes, highways, streets, lanes, alleys, avenues, sidewalks, or bridges of the province,
cities, or municipalities: 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 DPWH or the 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 altered, changed or
disturbed by the said grantee, its successors or assignees, then the DPWH or the LGU
concerned shall have the right to have the same repaired and placed in good order and
condition, and charge the grantee, its successors or assignees at double the amount of
the costs and expenses for such repair or replacement.

SEC. 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”.

SEC. 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.

SEC. 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 said stations,
transmitters, facilities, or equipment during the period when these shall be so operated.

SEC. 8. Term of Franchise. – This franchise shall be extended and in effect for a
period of twenty-five (25) years from its expiration on April 24, 2023, 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.

SEC. 9. *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 the review and modification of the NTC.

SEC. 10. *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.

SEC. 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.

SEC. 12. *Sale, Lease, Transfer, Grant of Usufruct, or Assignment of Franchise.* — The grantee shall not sell, lease, transfer, grant the usufruct of, 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 the controlling interest of the grantee be transferred, simultaneously or contemporaneously, to any person, firm, company, corporation, or entity without the prior approval of the Congress of the Philippines. Congress shall be informed of any sale, lease, transfer, grant of usufruct, or assignment of franchise or the rights and privileges acquired thereunder, or of the merger or transfer of the controlling interest of the grantee, within sixty (60) days after the completion of the said transaction. Failure to report to Congress such change of ownership shall render the franchise *ipso facto* revoked. Any
person or entity to which this franchise is sold, transferred, or assigned shall be subject to
the same conditions, terms, restrictions, and limitations of this Act.

SEC. 13. 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.

SEC. 14. Business Development and/or Expansion Plan. – Except where
prevented by force majeure, the grantee shall be obliged to carry out its business
development and/or expansion plan which shall contain, among others, the phases of
business development or expansion, courses of action to achieve the objectives of the
franchise, capitalization, and expected milestones within the franchise term.

SEC. 15. Commitment to Provide and Promote the Creation of Employment
Opportunities. – The grantee shall create employment opportunities as well as accept on-
the-job trainees in the 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 the 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.

SEC. 16. Contract with Private Entities. - The grantee is authorized to contract the
installation and operation of the telecommunications system which is the subject of this
grant with entities with expertise in the field of telecommunications under such terms and
conditions as may be approved by the Commission.

SEC. 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.

SEC. 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) 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.

advantage, favor, privilege, exemption, or immunity granted under existing franchises, or
may hereafter be granted, shall ipso facto become part of previously granted
telecommunications franchises and shall be accorded immediately and unconditionally to
the grantees of such franchises: 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.
SEC. 20. **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 privilege herein provided for.

SEC. 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.

SEC. 22. **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.

SEC. 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,
FACT SHEET

House Bill No. 7332
In substitution of House Bill No. 6917
(As approved on _____________)

AN ACT RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO MINDANAO ISLAMIC TELEPHONE COMPANY, INC., PRESENTLY KNOWN AS DITO TELECOMMUNITY CORPORATION, UNDER REPUBLIC ACT NO. 8627, ENTITLED "AN ACT GRANTING THE MINDANAO ISLAMIC TELEPHONE COMPANY, INC., A FRANCHISE TO CONSTRUCT, ESTABLISH, INSTALL, MAINTAIN AND OPERATE WIRE AND/OR WIRELESS TELECOMMUNICATIONS SYSTEM IN THE PHILIPPINES"

Introduced by: HON. WESLIE T. GATCHALIAN

Committee Referral: LEGISLATIVE FRANCHISES
Committee Chairperson: HON. FRANZ E. ALVAREZ

OBJECTIVE:

• To allow DITO TELECOMMUNITY CORPORATION (DITO) to complete its roll-out to be able to establish and install efficient and effective telecommunications system for better and cheaper telecommunications services nationwide.

KEY PROVISIONS:

• Renews the franchise granted to DITO (formerly MINDANAO ISLAMIC TELEPHONE COMPANY, INC.) to construct, install, establish, operate and maintain wire and/or wireless telecommunications system for another twenty-five (25) years;

• Prohibits the grantee to lease, transfer, sell, grant the usufruct or assign the franchise, rights or privileges or its controlling interest without the prior approval of Congress;

• Mandates the grantee to secure the appropriate permits and licenses for the construction, installation and operation of its telecommunications systems or facilities from the NTC;

• Allows the grantee to make excavations or lay conduits for the purpose of erecting and maintaining poles, with the obligation to repair and replace in workmanlike manner any public place, road, highway, street, lane, alley, avenue, sidewalk, or bridge that has been disturbed, altered or changed by reason of erection of poles or other supports or the underground laying of wires;

• Mandates the grantee to conform to the ethics of honest enterprise, operate its station/s in a satisfactory manner at all times, and to extend its services in compliance with Republic Act No. 10639 or the "Free Mobile Disaster Alerts Act";
• Gives the President of the Philippines the right 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 in times of war, rebellion, public peril, calamity, emergency, disaster or disturbance of peace and order;

• Provides that the national and local governments shall not be held liable for any damage to properties or injury to persons caused by accidents during construction or operation of the stations;

• Prohibits the grantee from leasing, transferring, selling nor assigning the franchise or the controlling interest thereof without the prior approval of the Congress of the Philippines;

• Requires the grantee to offer to Filipino citizens at least thirty per cent (30%) of its outstanding stock in any security exchange in the Philippines or through other methods of encouraging public participation by citizens and corporations operating public utilities as allowed by law;

• Requires the grantee to create employment opportunities and allow on-the-job trainings in their franchise operation for residents of the place where any of its offices is located subject to applicable labor standards and allowance entitlement under existing labor laws, rules and regulations and similar issuances;

• Mandates the grantee to 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, talents and independent contractors combined, exceed forty percent (40%) of its total workforce; and to 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 its relevant attached agencies;

• Requires the grantee to submit an annual report to the Congress of the Philippines on its compliance with the terms and conditions of the franchise and its operation on or before April 30 of every year;

• Imposes a fine in the amount of One million pesos (P1,000,000.00) per working day of noncompliance with the reportorial requirement of Congress, the effectivity of which shall commence upon applicability with other telecommunications franchise grantees, and provided that in the interim, the grantee shall be liable to pay the fine of Five hundred pesos (P500.00);

• Enables the grantee to be issued a Provisional Authority (PA) by the NTC to continue its operations if the franchise granted under this Act expires, provided that the bill renewing the same is already filed in Congress prior to its expiration, and that the PA shall be valid only until the franchise is renewed, rejected, or until the end of the term of Congress when the bill for renewal was filed; and
• Provides an equality clause which aims to grant existing and potential franchise grantees equal privilege.

RELATED LAWS:

• Republic Act No. 7925 – “AN ACT TO PROMOTE AND GOVERN THE DEVELOPMENT OF PHILIPPINE TELECOMMUNICATIONS AND THE DELIVERY OF PUBLIC TELECOMMUNICATIONS SERVICES”

• Republic Act No. 8627 – “AN ACT GRANTING THE MINDANAO ISLAMIC TELEPHONE COMPANY, INC., A FRANCHISE TO CONSTRUCT, ESTABLISH, INSTALL, MAINTAIN AND OPERATE WIRE AND/OR WIRELESS TELECOMMUNICATIONS SYSTEM IN THE PHILIPPINES”

• House Concurrent Resolution No. 23 – “CONCURRENT RESOLUTION APPROVING THE TRANSFER, SALE, OR ASSIGNMENT OF THE CONTROLLING INTEREST OF MINDANAO ISLAMIC TELEPHONE COMPANY, INC.”

• Sec. 18, Article II and Sec. 3, Article XIII of the 1987 Constitution - Protection to labor and collective bargaining.

• Article 280 of the Labor Code - Provision for regular and casual employment.

• Republic Act No. 8282 – “AN ACT FURTHER STRENGTHENING THE SOCIAL SECURITY SYSTEM THEREBY AMENDING FOR THIS PURPOSE, REPUBLIC ACT NO. 1161, AS AMENDED, OTHERWISE KNOWN AS THE SOCIAL SECURITY LAW”

• Republic Act No. 9679 – “AN ACT FURTHER STRENGTHENING THE HOME DEVELOPMENT MUTUAL FUND, AND FOR OTHER PURPOSES”

• Republic Act No. 10606 – “AN ACT AMENDING REPUBLIC ACT NO. 7875, OTHERWISE KNOWN AS THE “NATIONAL HEALTH INSURANCE ACT OF 1995”, AS AMENDED, AND FOR OTHER PURPOSES”

• Republic Act No. 11223 – “AN ACT INSTITUTING UNIVERSAL HEALTH CARE FOR ALL FILIPINOS, PRESCRIBING REFORMS IN THE HEALTH CARE SYSTEM, AND APPROPRIATING FUNDS THEREFOR”