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

COMMITTEE REPORT NO. 434
AUG 25 2020

Submitted by the Committee on Legislative Franchises on ____________.

Re: House Bill No. 7496

Recommending its approval in substitution of House Bill No. 6946

Sponsors: Representatives Franz E. Alvarez and Alfredo A. Garbin, Jr.

Mr. Speaker:

The Committee on Legislative Franchises to which was referred House Bill No. 6946, authored by Rep. Alfredo A. Garbin, Jr. entitled:

"AN ACT AMENDING THE FRANCHISE GRANTED TO SERVOTRON INDUSTRIES INC. UNDER REPUBLIC ACT NO. 8127 TO RENEW THE FRANCHISE FOR ANOTHER TWENTY-FIVE (25) YEARS FROM THE EFFECTIVITY OF THIS ACT AND TO EXPAND INTO NATIONAL COVERAGE THE FRANCHISE GRANTED AND FOR OTHER PURPOSES"

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

"AN ACT GRANTING SERVOTRON INDUSTRIES INC. A FRANCHISE TO CONSTRUCT, INSTALL, OPERATE, AND MAINTAIN RADIO AND TELEVISION BROADCASTING STATIONS THROUGHOUT THE PHILIPPINES"

be approved in substitution of House Bill No. 6946 with Reps. Alfredo A. Garbin, Jr. and Franz E. Alvarez as authors thereof.
Respectfully submitted:

FRANZ E. ALVAREZ
Chairperson
Committee on Legislative Franchises

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
QUEZON CITY
AN ACT

GRANTING SERVOTRON INDUSTRIES INC. A FRANCHISE TO CONSTRUCT, INSTALL, OPERATE, AND MAINTAIN RADIO AND TELEVISION BROADCASTING STATIONS 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, there is hereby granted to Servotron Industries Inc., hereunder referred to as the grantee, its successor or assignees, a franchise to construct, install, operate, and maintain for commercial purposes and in the public interest, radio and/or television broadcasting stations where frequencies and/or channels are still available for radio and/or television broadcasting, including digital television system, through microwave, satellite or whatever means, as well as the use of any new technology in television and radio systems, with the corresponding technological auxiliaries and facilities, special broadcast and other program and distribution services and relay stations throughout the Philippines.

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 privilege to use its assigned wavelengths or frequencies and the quality of transmission or reception thereon as should maximize rendition of the grantee’s services and/or availability thereof.

SEC. 3. Prior Approval of the National Telecommunications Commission. – The grantee shall secure from the National Telecommunications Commission (NTC) the appropriate permits and licenses for the construction and operation of its stations or facilities and shall not use any frequency in the radio/television spectrum without authorization from the NTC. The NTC, however, shall not unreasonably withhold or delay the grant of any such authority.
The grantee shall not dispose or lease its facilities except to entities with a radio
or television broadcasting franchise: Provided, That the grantee shall inform and
secure written authorization to proceed from the NTC, and report the transaction to the
NTC within sixty (60) days after its completion: Provided, further, That the NTC shall
determine the corresponding sanction for any violation of this provision.

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 of the Philippines
(Congress) the revocation of the franchise for any violation of the provisions of this
franchise.

SEC. 4. Responsibility to the Public. – The grantee shall provide, free of
charge, adequate public service time which is reasonable and sufficient to enable the
government, through the broadcasting stations or facilities of the grantee, to reach the
pertinent populations or portions thereof, on important public issues and relay
important public announcements and warnings concerning public emergencies and
calamities, as necessity, urgency or law may require; provide, at all times sound and
balanced programming; promote public participation; assist in the functions of public
information and education; conform to the ethics of honest enterprise; promote
audience sensibility and empowerment including closed captioning; and not use its
stations or facilities for the broadcasting of obscene or indecent language, speech, act
or scene, the dissemination of deliberately false information or willful
misrepresentation, to the detriment of public interest, or to incite, encourage, or assist
in subversive or treasonable acts.

Public service time referred herein shall be equivalent to a maximum aggregate
of ten percent (10%) of paid commercials or advertisements which shall be allocated
based on need to the Executive and Legislative branches, the Judiciary, Constitutional
Commissions, and international humanitarian organizations duly recognized by
statutes: Provided, That the NTC shall increase the public service time in case of
extreme emergency or calamity. The NTC shall issue rules and regulations for this
purpose, the effectivity of which shall commence upon applicability with other similarly
situated broadcast network franchise holders.

Pursuant to Republic Act No. 8370, otherwise known as the “Children’s
Television Act of 1997”, the grantee shall allot a minimum of fifteen percent (15%) of
the daily total air time of each broadcasting network to child-friendly shows within its
regular programming.

SEC. 5. 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 that 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 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, upon due compensation to the grantee, for
the use of said stations or facilities during the period when these shall be so operated.
SEC. 6. Term of Franchise. – This franchise shall be in effect for a period of twenty-five (25) years from the effectivity of this Act, 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. 7. Self-regulation by and Undertaking of Grantee. – The grantee shall not require any previous censorship of any speech, play, act or scene, or other matter to be broadcast from its stations, but if any such speech, play, act or scene, or other matter should constitute a violation of the law or infringement of a private right, the grantee shall be free from any liability, civil or criminal, for such speech, play, act or scene, or other matter: Provided, That the grantee, during any broadcast, shall cut off the airing of speech, play, act or scene, or other matter being broadcast if the tendency thereof is to propose or incite treason, rebellion or sedition; or the language used therein or the theme thereof is indecent or immoral: Provided, further, That willful failure to do so shall constitute a valid cause for the cancellation of this franchise.

SEC. 8. 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, demands, or actions arising out of accidents causing injury to persons or damage to properties, during the construction or operation of the stations of the grantee.

SEC. 9. Commitment to Provide and Promote the Creation of Employment Opportunities. – The grantee shall create employment opportunities and 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. 10. 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 shall the controlling interest of the grantee be transferred, simultaneously or contemporaneously, to any person, firm, company, corporation, or entity without the prior approval of Congress. 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. 11. 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. 12. 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 Congress, 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 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. 13. Fine. – Failure of the grantee to submit the requisite annual report to
Congress shall be penalized by a 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.

SEC. 14. Equality Clause. – Any advantage, favor, privilege, exemption, or
immunity granted under existing franchises, or which may hereafter be granted for
radio and/or television broadcasting, upon prior review and approval of Congress,
shall become part of this franchise and shall be accorded immediately and
unconditionally to the herein grantee: Provided, That the foregoing shall neither apply
to nor affect the provisions of broadcasting franchises concerning territorial coverage,
the term, or the type of service authorized by the franchise.

SEC. 15. 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 privileges herein
provided for.

SEC. 16. 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. 17. 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. 18. **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. 7496
In substitution of House Bill No. 6946
(As approved on ____________)

AN ACT GRANTING SERVOTRON INDUSTRIES INC. A FRANCHISE TO CONSTRUCT, INSTALL, OPERATE, AND MAINTAIN RADIO AND TELEVISION BROADCASTING STATIONS THROUGHOUT THE PHILIPPINES

Introduced by: HON. ALFREDO A. GARBIN

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

OBJECTIVE:

• To allow the Servotron Industries Inc. to continue its effective public service through commercial radio and television broadcasting in the Philippines.

KEY PROVISIONS:

• Grants the Servotron Industries Inc.'s radio and television franchise for twenty-five (25) years;

• 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;

• Requires the grantee to provide an adequate public service time equivalent to a maximum aggregate of ten percent (10%) of the paid advertisements, to enable it to inform the population on important public issues and assist in the performance of the functions of public information and education;

• Requires the grantee to allot a minimum of fifteen percent (15%) of the daily total air time of each broadcasting network to child-friendly shows within its regular programming;

• Prohibits the grantee to use its stations for the broadcasting of obscene and indecent language, speech, act or scene of for the dissemination of deliberately false information or willful misrepresentation, or to incite, encourage, or assist in subversive or treasonable acts;
• Reserves the right of the President of the Philippines 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;

• 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;

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

• 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 submit an annual report to Congress 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 five hundred pesos (P500.00) per working day of noncompliance in the submission of its annual report to Congress; and

• Provides an equality clause which aims to grant existing and potential franchise grantees equal privilege.

RELATED LAWS:

• Republic Act No. 8127 – “AN ACT GRANTING SERVOTRON INDUSTRIES, INC. A FRANCHISE TO CONSTRUCT, MAINTAIN AND OPERATE STATIONS FOR RADIO AND TELEVISION BROADCASTING IN THE NATIONAL CAPITAL REGION (NCR)"

• Republic Act No. 8370 – “CHILDREN’S TELEVISION ACT OF 1997”