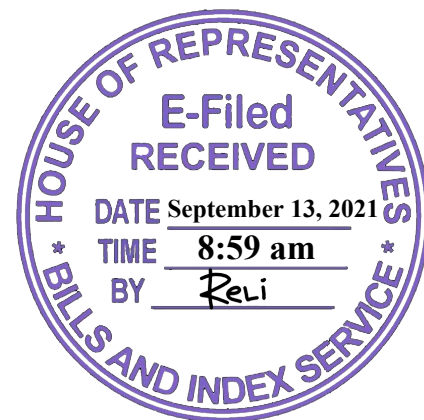


Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**EIGHTEENTH CONGRESS**  
Third Regular Session



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**COMMITTEE REPORT NO. 1212**

Submitted by the Committee on Legislative Franchises on September 13, 2021

Re: House Bill No. 10194

Recommending its approval in substitution of House Bill No. 8456

Sponsors: Representatives Franz E. Alvarez and Xavier Jesus D. Romualdo

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Mr. Speaker:

The Committee on Legislative Franchises to which was referred House Bill No. 8456, authored by Rep. Xavier Jesus D. Romualdo entitled:

“AN ACT GRANTING DERECHO TELECOMMUNICATIONS, INC. A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE AND MAINTAIN TELECOMMUNICATIONS SYSTEMS THROUGHOUT THE PHILIPPINES”

has considered the same and recommends that the attached House Bill No. 10194 entitled:

“AN ACT GRANTING DERECHO TELECOMMUNICATIONS, INC. A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE, AND MAINTAIN TELECOMMUNICATIONS SYSTEMS THROUGHOUT THE PHILIPPINES”

be approved in substitution of House Bill No. 8456 with Reps. Xavier Jesus D. Romualdo, Franz E. Alvarez, Strike B. Revilla, Edward Vera Perez Maceda, Jericho Jonas B. Nograles, John Marvin “Yul Servo” C. Nieto, Alfredo A. Garbin, Jr., Deogracias Victor “DV” B. Savellano, Faustino “Inno” A. Dy, Ann K. Hofer, Claudine Diana D. Bautista, Emmarie “Lolypop” M. Quano-Dizon, Micaela S. Violago, and Gabriel H. Bordado, Jr. as authors thereof.

Respectfully submitted:

A handwritten signature in black ink, appearing to read 'Franz E. Alvarez', is positioned above the printed name. The signature is fluid and cursive, with a prominent initial 'F'.

**FRANZ E. ALVAREZ**

Chairperson

Committee on Legislative Franchises

**THE HONORABLE SPEAKER  
HOUSE OF REPRESENTATIVES  
QUEZON CITY**

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**EIGHTEENTH CONGRESS**  
Third Regular Session

HOUSE BILL NO. 10194  
(In substitution of House Bill No. 8456)

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Introduced by **REPRESENTATIVES XAVIER JESUS D. ROMUALDO, FRANZ E. ALVAREZ, STRIKE B. REVILLA, EDWARD VERA PEREZ MACEDA, JERICHO JONAS B. NOGRALES, JOHN MARVIN "YUL SERVO" C. NIETO, ALFREDO A. GARBIN, JR., DEOGRACIAS VICTOR "DV" B. SAVELLANO, FAUSTINO "INNO" A. DY, ANN K. HOFER, CLAUDINE DIANA D. BAUTISTA, EMMARIE "LOLYPOP" M. QUANO-DIZON, MICAELA S. VIOLAGO, and GABRIEL H. BORDADO, JR.**

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**AN ACT**  
**GRANTING DERECHO TELECOMMUNICATIONS, INC. A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE, AND MAINTAIN TELECOMMUNICATIONS SYSTEMS THROUGHOUT THE PHILIPPINES**

1  
2 Be it enacted by the Senate and House of Representatives of the Philippines in  
3 Congress assembled:  
4  
5

6 **SECTION 1. Nature and Scope of Franchise.** - Subject to the provisions of  
7 the Constitution and applicable laws, rules and regulations, there is hereby granted to  
8 Derecho Telecommunications, Inc., hereunder referred as the Grantee, its successors  
9 or assignees, a franchise to construct, install, establish, operate, and maintain, for  
10 commercial purposes and in the public interest, in the Philippines, wired and wireless  
11 telecommunications systems, including internet access, through copper, fiber optics,  
12 satellite systems, switches and all other telecommunication system or information and  
13 communications technologies as are at present available or will be made available  
14 through technological advances or innovations in the future, and offer  
15 telecommunications services, value-added services, including internet access service,  
16 or other electronic communication services such as the transmission and reception of  
17 voice, data, facsimile, control signs, audio and video information services; or to  
18 construct, acquire, lease, and operate, or manage transmitting and receiving stations,  
19 lines, cables, or systems as are convenient and essential to efficiently carry out the  
20 purpose of this franchise.

1           **SEC. 2. Manner of Operation of Stations or Facilities.** – The stations or  
2 facilities of the Grantee shall be constructed and operated in a manner as will, at most,  
3 result only in the minimum interference on the wavelengths or frequencies of existing  
4 stations or other stations which may be established by law, without in any way  
5 diminishing its own privilege to use its assigned wavelengths or frequencies and the  
6 quality of transmission or reception thereon as should maximize rendition of the  
7 Grantee’s services or the availability thereof.

8  
9           **SEC. 3. Authority of the National Telecommunications Commission.** – The  
10 Grantee shall secure from the National Telecommunications Commission (NTC) a  
11 Certificate of Public Convenience and Necessity or the appropriate permits and  
12 licenses for the construction, installation, and operation of its telecommunications  
13 systems or facilities. In issuing the certificate, the NTC shall have the power to regulate  
14 and impose such conditions relative to the construction, operation, maintenance, or  
15 service level of the telecommunications systems or facilities. Such certificate shall  
16 state the areas covered and the date the Grantee shall commence the service. The  
17 Grantee shall not use any frequency in the radio spectrum without authorization from  
18 the NTC. The NTC, however, shall not unreasonably withhold or delay the grant of  
19 such authority, permit, or license.

20  
21           In case of any violation of the provisions of this franchise, the NTC shall have  
22 the authority to revoke or suspend, after due process, the permits or licenses it issued  
23 pursuant to the franchise. The NTC may recommend to Congress the revocation of  
24 the franchise for any violation of the provisions of this franchise.

25  
26           **SEC. 4. Excavation and Restoration Works.** – For the purpose of erecting  
27 and maintaining poles or other supports for wires or other conductors, and for laying  
28 and maintaining of underground wires, cables, or other conductors, it shall be lawful  
29 for the Grantee, its successors or assignees, with the prior approval of the Department  
30 of Public Works and Highways (DPWH) or the local government unit (LGU) concerned,  
31 as may be appropriate, to make excavations or lay conduits in any of the public places,  
32 roads, highways, streets, lanes, alleys, avenues, sidewalks, or bridges of the province,  
33 cities, or municipalities: *Provided, however,* That a public place, road, highway, street,  
34 lane, alley, avenue, sidewalk, or bridge disturbed, altered, or changed by reason of  
35 erection of poles or other supports or the underground laying of wires, other

1 conductors or conduits, shall be repaired and replaced in workmanlike manner by the  
2 Grantee, its successors or assignees, in accordance with the standards set by the  
3 DPWH or the LGU concerned. Should the Grantee, its successors or assignees, after  
4 the ten (10)-day notice from the said authority, fail, refuse, or neglect to repair or  
5 replace any part of public place, road, highway, street, lane, alley, avenue, sidewalk,  
6 or bridge disturbed, altered, or changed by the Grantee, its successors or assignees,  
7 then the DPWH or the LGU concerned shall have the right to have the same repaired  
8 and placed in good order and condition, and charge the Grantee, its successors or  
9 assignees, at double the amount of the costs and expenses for such repair or  
10 replacement.

11  
12 **SEC. 5. Responsibility to the Public.** - The Grantee shall conform to the ethics  
13 of honest enterprise and not use its stations or facilities for obscene or indecent  
14 transmission, or for dissemination of deliberately false information, or willful  
15 misrepresentation, or assist in subversive or treasonable acts.

16  
17 The Grantee shall operate and maintain all its stations, lines, cables, systems,  
18 and equipment for the transmission and reception of messages, signals, and pulses  
19 in a satisfactory manner at all times, and as far as economical and practicable, modify,  
20 improve, or change such stations, lines, cables, systems, and equipment to keep  
21 abreast with the advances in science and technology.

22  
23 The Grantee shall improve and extend its services in areas not yet served, and  
24 in hazard- and typhoon-prone areas that shall be determined by the National Disaster  
25 Risk Reduction and Management Council, or its legal successor, in coordination with  
26 the NTC.

27  
28 The Grantee shall also improve and upgrade its equipment, facilities and  
29 services, in order to ensure effective compliance with the objectives of Republic Act  
30 No. 10639 or "The Free Mobile Disaster Alerts Act".

31  
32 **SEC. 6. Rates for Services.** – The charges and rates for telecommunications  
33 services of the Grantee, except the rates and charges on those that may hereafter be  
34 declared or considered as nonregulated services, whether flat rates or measured rates  
35 or variations thereof, shall be subject to the approval of the NTC or its legal successor.

1 The rates to be charged by the Grantee shall be unbundled, separable, and distinct  
2 among the services offered and shall be determined in a manner that ensures that  
3 regulated services do not subsidize those that are not regulated.

4 **SEC. 7. Right of Government.** – The radio spectrum is a finite resource that  
5 is part of the national patrimony and the use thereof is a privilege conferred upon the  
6 Grantee by the State and may be withdrawn any time after due process.

7  
8 A special right is hereby reserved to the President of the Philippines, in times  
9 of war, rebellion, public peril, calamity, emergency, disaster, or disturbance of peace  
10 and order: to temporarily take over and operate the stations, transmitters, facilities, or  
11 equipment of the Grantee; to temporarily suspend the operation of any station,  
12 transmitter, facility, or equipment in the interest of public safety, security, and public  
13 welfare; or to authorize the temporary use and operation thereof by any agency of the  
14 government, upon due compensation to the Grantee, for the use of the stations,  
15 transmitters, facilities, or equipment during the period when these shall be so  
16 operated.

17  
18 **SEC. 8. Term of Franchise.** – This franchise shall be in effect for a period of  
19 twenty-five (25) years from the date of the effectivity of this Act, unless sooner  
20 cancelled. This franchise shall be deemed *ipso facto* revoked in the event that the  
21 Grantee fails to comply with any of the following conditions:

- 22 (a) commencement of operations within three (3) years from the approval of  
23 its operating permit by the NTC;  
24 (b) commencement of operations within five (5) years from the effectivity of  
25 this Act; and  
26 (c) continuous operation for two (2) years.

27  
28 **SEC. 9. Bond.** – The Grantee shall file a bond with the NTC, in the amount that  
29 the NTC shall determine, to guarantee compliance with and fulfillment of the conditions  
30 under which this franchise is granted. If, after three (3) years from the date of approval  
31 of its permit by the NTC, the Grantee shall have fulfilled the same, the bond shall be  
32 released by the NTC. Otherwise, the bond shall be forfeited in favor of the government  
33 and the franchise *ipso facto* revoked.

1           **SEC. 10. Right of Interconnection.** – The Grantee is hereby authorized to  
2 connect or demand connection of its telecommunications systems to other  
3 telecommunications systems installed, operated, and maintained by any other duly  
4 authorized person or entity in the Philippines for the purpose of providing extended  
5 and improved telecommunications services to the public, under the terms and  
6 conditions mutually agreed upon by the parties concerned. This right shall be subject  
7 to the review and modification of the NTC.

8  
9           **SEC. 11. Warranty in Favor of the National and Local Governments.** - The  
10 Grantee shall hold the national, provincial, city, and municipal governments of the  
11 Philippines free from all claims, liabilities, accounts, demands, or actions arising out of  
12 accidents causing injury to persons or damage to properties, during the construction  
13 or operation of the stations, transmitters, facilities, or equipment of the Grantee.

14  
15           **SEC. 12. Sale, Lease, Transfer, Grant of Usufruct, or Assignment of**  
16 **Franchise.** – The Grantee shall not sell, lease, transfer, grant the usufruct of, nor  
17 assign this franchise or the rights and privileges acquired thereunder to any person,  
18 firm, company, corporation, or other commercial or legal entity, nor merge with any  
19 other corporation or entity, nor shall the controlling interest of the Grantee be  
20 transferred, simultaneously or contemporaneously, to any person, firm, company,  
21 corporation, or entity without the prior approval of Congress. The Grantee shall inform  
22 Congress, through the Office of the Speaker of the House of Representatives and the  
23 Office of the Senate President, of any sale, lease, transfer, grant of usufruct, or  
24 assignment of franchise or the rights and privileges acquired thereunder, or of the  
25 merger or transfer of the controlling interest of the Grantee, within sixty (60) days after  
26 the completion of the said transaction. Failure to report to Congress such change of  
27 ownership shall render the franchise *ipso facto* revoked. Any person or entity to which  
28 this franchise is sold, transferred, or assigned shall be subject to the same conditions,  
29 terms, restrictions, and limitations of this Act.

30  
31           **SEC. 13. Dispersal of Ownership.** - In accordance with the constitutional  
32 provision to encourage public participation in public utilities, the Grantee shall offer to  
33 Filipino citizens at least thirty percent (30%) of its outstanding capital stock, or a higher  
34 percentage that may hereafter be provided by law, in any securities exchange in the  
35 Philippines within five (5) years from the effectivity of this Act: *Provided*, That in cases

1 where public offer of shares is not applicable, other methods of encouraging public  
2 participation by citizens and corporations operating public utilities must be  
3 implemented. Noncompliance therewith shall render the franchise *ipso facto* revoked.  
4

5 **Sec. 14. Commitment to Provide and Promote the Creation of**  
6 **Employment Opportunities.** – The Grantee shall create employment opportunities  
7 and accept on-the-job trainees in its franchise operations: *Provided*, That priority shall  
8 be accorded to the residents of the place where the principal office of the Grantee is  
9 located: *Provided, further*, That the Grantee shall comply with the applicable labor  
10 standards and allowance entitlement under existing labor laws, rules and regulations,  
11 and similar issuances.  
12

13 The employment opportunities or jobs created shall be reflected in the General  
14 Information Sheet (GIS) to be submitted to the Securities and Exchange Commission  
15 (SEC) annually.  
16

17 **SEC. 15. Reportorial Requirement.** – The Grantee shall submit an annual  
18 report on its compliance with the terms and conditions of the franchise and on its  
19 operations to the Congress of the Philippines, through the Committee on Legislative  
20 Franchises of the House of Representatives and the Committee on Public Services of  
21 the Senate, on or before April 30 of every year during the term of its franchise.  
22

23 The annual report shall include an update on the commencement of activities,  
24 development, operation, and expansion of business; audited financial statements;  
25 latest GIS officially submitted to the SEC, if applicable; certification of the NTC on the  
26 status of its permits and operations; and an update on the dispersal of ownership  
27 undertaking, if applicable.  
28

29 The reportorial compliance certificate issued by Congress shall be required  
30 before any application for permit or certificate is accepted by the NTC.  
31

32 **SEC. 16. Fine.** – Failure of the Grantee to submit the requisite annual report to  
33 Congress shall be penalized with a fine in the amount of One million pesos  
34 (P1,000,000.00) for each working day of noncompliance, the effectivity of which shall  
35 commence upon applicability with other telecommunications franchise grantees:



1 *Provided*, That in the interim, the Grantee shall be liable to pay the fine of Five hundred  
2 pesos (P500.00) per working day of noncompliance to the NTC. The fine shall be  
3 collected separately from the reportorial penalties imposed by the NTC, and it shall be  
4 remitted to the Bureau of the Treasury.

5  
6 **SEC. 17. Equality of Treatment in the Telecommunications Industry.** – Any  
7 advantage, favor, privilege, exemption, or immunity granted under existing franchises,  
8 or which may hereafter be granted for telecommunications, upon prior review and  
9 approval of Congress, shall become part of this franchise and shall be accorded  
10 immediately and unconditionally to the herein Grantee: *Provided*, That the foregoing  
11 shall neither apply to nor affect the provisions of telecommunications franchises  
12 concerning territorial coverage, the term, or the type of service authorized by the  
13 franchise.

14  
15 **SEC. 18. Repealability and Nonexclusivity Clause.** – This franchise shall be  
16 subject to amendment, alteration, or repeal by Congress when the public interest so  
17 requires and shall not be interpreted as an exclusive grant of the privilege herein  
18 provided for.

19  
20 **SEC. 19. Separability Clause.** – If any of the sections or provisions of this Act  
21 is held invalid, all other provisions not affected thereby shall remain valid.

22  
23 **SEC. 20. Repealing Clause.** – All laws, decrees, orders, resolutions,  
24 instructions, rules and regulations, and other issuances or parts thereof which are  
25 inconsistent with the provisions of this Act are hereby repealed, amended, or modified  
26 accordingly.

27  
28 **SEC. 21. Effectivity.** – This Act shall take effect fifteen (15) days after its  
29 publication in the *Official Gazette* or in a newspaper of general circulation.

30  
31 Approved,

## FACT SHEET

House Bill No. 10194  
In substitution of House Bill No. 8456  
(As approved on \_\_\_\_\_)

### **AN ACT GRANTING DERECHO TELECOMMUNICATIONS INC. A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE, AND MAINTAIN TELECOMMUNICATIONS SYSTEMS THROUGHOUT THE PHILIPPINES**

*Introduced by: **HON. XAVIER JESUS D. ROMUALDO***

*Co-Authors: HON. STRIKE B. REVILLA, EDWARD VERA PEREZ MACEDA, JERICO JONAS B. NOGRALES, JOHN MARVIN "YUL SERVO" C. NIETO, , ALFREDO A. GARBIN, JR., DEOGRACIAS VICTOR "DV" B. SAVELLANO, FAUSTINO "INNO" A. DY, ANN K. HOFER, CLAUDINE DIANA D. BAUTISTA, EMMARIE "LOLYPOP" M. QUANO-DIZON, MICAELA S. VIOLAGO, AND GABRIEL H. BORDADO, JR.*

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

#### **OBJECTIVE:**

- To allow DERECHO TELECOMMUNICATIONS INC. to operate efficient and effective telecommunications services nationwide.

#### **KEY PROVISIONS:**

- Grants DERECHO TELECOMMUNICATIONS INC. a franchise to construct, install, establish, operate, and maintain telecommunications system for twenty-five (25) years;
- Prohibits the grantee to lease, transfer, sell, grant the usufruct nor 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 facilities 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;
- 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;
- 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 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) per working day of noncompliance; and
- Provides an equality clause which aims to grant existing and potential franchise grantees equal privilege/s.

**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. 10639 - “Free Mobile Disaster Alerts Act”