



HOUSE OF REPRESENTATIVES

H. No. 10194

BY REPRESENTATIVES ROMUALDO, ALVAREZ (F.), REVILLA, MACEDA, NOGRALES (J.J.), NIETO,
GARBIN, SAVELLANO, DY (F.), HOFER, BAUTISTA, OUANO-DIZON, VIOLAGO AND BORDADO,
PER COMMITTEE REPORT NO. 1212

**AN ACT
GRANTING DERECHO TELECOMMUNICATIONS, 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:*

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

Approved,