



HOUSE OF REPRESENTATIVES

H. No. 9439

BY REPRESENTATIVES AGARAO, ALVAREZ (F.), MACEDA, VIOLAGO, GARIN (J.), NIETO, MADRONA, MARTINEZ, ABUEG-ZALDIVAR, REVILLA, TAN (A.S.), GARBIN, SIAO, NOGRALES (J.J.), ALBANO, ALONTE AND FERRER (L.), PER COMMITTEE REPORT NO. 993

AN ACT

RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO CONTINENTAL TELECOMMUNICATIONS SYSTEM, INC., UNDER REPUBLIC ACT NO. 8579, ENTITLED "AN ACT GRANTING THE CONTINENTAL TELECOMMUNICATIONS SYSTEM, INC., A FRANCHISE TO CONSTRUCT, INSTALL, MAINTAIN, ESTABLISH AND OPERATE LOCAL EXCHANGE NETWORK IN THE PROVINCES OF BATANGAS, LAGUNA, AND MASBATE"

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, the franchise granted to
3 Continental Telecommunications System, Inc., hereunder referred to as the grantee,
4 its successor or assignees, under Republic Act No. 8579, to construct, install,
5 establish, operate, and maintain for commercial purposes and in the public interest, in
6 the Provinces of Batangas, Laguna, and Masbate, wired and wireless
7 telecommunications systems and facilities for domestic telecommunications, including
8 local exchange network, public calling stations, pay telephone stations, or wireless
9 local loop, using copper or fiber optics cables, switches, and satellite transmit and
10 receive systems, and their value-added services such as the transmission of voice,
11 data, facsimile, control signs, audio and video, information services and all other
12 telecommunication system technologies as are at present available or will be made
13 available through technological advances or innovations in the future; or to construct,
14 acquire, lease, and operate, or manage transmitting and receiving stations, lines,

1 cables, or systems and associated equipment as are convenient and essential to
2 efficiently carry out the purpose of this franchise, is hereby renewed for another twenty-
3 five (25) years.

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

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

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

29
30 **SEC. 4. *Excavation and Restoration Works.*** – For the purposes of erecting
31 and maintaining poles or other supports for wires or other conductors and for laying
32 and maintaining of underground wires, cables, or other conductors, it shall be lawful
33 for the grantee, its successors or assignees, with the prior approval of the Department
34 of Public Works and Highways (DPWH) or the local government unit (LGU) concerned,
35 as may be appropriate, to make excavations or lay conduits in any of the public places,

1 roads, highways, streets, lanes, alleys, avenues, sidewalks, or bridges of the province,
2 cities, or municipalities: *Provided, however,* That a public place, road, highway, street,
3 lane, alley, avenue, sidewalk, or bridge disturbed, altered, or changed by reason of
4 erection of poles or other supports or the underground laying of wires, other
5 conductors or conduits, shall be repaired and replaced in workmanlike manner by the
6 grantee, its successors or assignees, in accordance with the standards set by the
7 DPWH or the LGU concerned. Should the grantee, its successors or assignees, after
8 a ten (10)-day notice from the said authority, fail, refuse, or neglect to repair or replace
9 any part of public place, road, highway, street, lane, alley, avenue, sidewalk, or bridge
10 altered, changed or disturbed by the grantee, its successors or assignees, then the
11 DPWH or the LGU concerned shall have the right to have the same repaired and
12 placed in good order and condition, and charge the grantee, its successors or
13 assignees at double the amount of the costs and expenses for such repair or
14 replacement.

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

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

26
27 The grantee shall improve and extend its services in areas not yet served, and
28 in hazard- and typhoon-prone areas that shall be determined by the National Disaster
29 Risk Reduction and Management Council, or its legal successor, in coordination with
30 the NTC.

31
32 The grantee shall also improve and upgrade its equipment, facilities and
33 services, in order to ensure effective compliance with the objectives of Republic Act
34 No. 10639 or "The Free Mobile Disaster Alerts Act".

1 **SEC. 6. Rates for Services.** – The charges and rates for telecommunications
2 services of the grantee, except the rates and charges on those that may hereafter be
3 declared or considered as nonregulated services, whether flat rates or measured rates
4 or variations thereof, shall be subject to the approval of the NTC or its legal successor.
5 The rates to be charged by the grantee shall be unbundled, separable, and distinct
6 among the services offered and shall be determined in such a manner that regulated
7 services do not subsidize the unregulated ones.

8
9 **SEC. 7. Right of Government.** – The radio spectrum is a finite resource that
10 is part of the national patrimony and the use thereof is a privilege conferred upon the
11 grantee by the State and may be withdrawn any time after due process.

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

21 **SEC. 8. Term of Franchise.** – This franchise shall be in effect for a period of
22 twenty-five (25) years from the date of the effectivity of this Act, unless sooner
23 cancelled. This franchise shall be deemed *ipso facto* revoked in the event the grantee
24 fails to operate continuously for two (2) years.

25
26 **SEC. 9. Right of Interconnection.** – The grantee is hereby authorized to
27 connect or demand connection of its telecommunications systems to other
28 telecommunications systems installed, operated, and maintained by any other duly
29 authorized person or entity in the Philippines for the purpose of providing extended
30 and improved telecommunications services to the public, under the terms and
31 conditions mutually agreed upon by the parties concerned. This right shall be subject
32 to the review and modification of the NTC.

1 **SEC. 10. Warranty in Favor of the National and Local Governments.** - The
2 grantee shall hold the national, provincial, city, and municipal governments of the
3 Philippines free from all claims, liabilities, accounts, demands, or actions arising out of
4 accidents causing injury to persons or damage to properties, during the construction
5 or operation of the stations, transmitters, facilities, or equipment of the grantee.
6

7 **SEC. 11. Sale, Lease, Transfer, Grant of Usufruct, or Assignment of**
8 **Franchise.** – The grantee shall not sell, lease, transfer, grant the usufruct of, nor
9 assign this franchise or the rights and privileges acquired thereunder to any person,
10 firm, company, corporation, or other commercial or legal entity, nor merge with any
11 other corporation or entity, nor shall the controlling interest of the grantee be
12 transferred, simultaneously or contemporaneously, to any person, firm, company,
13 corporation, or entity without the prior approval of Congress. The grantee shall inform
14 Congress, through the Office of the Speaker of the House of Representatives and
15 Office of the Senate President, of any sale, lease, transfer, grant of usufruct, or
16 assignment of franchise or the rights and privileges acquired thereunder, or of the
17 merger or transfer of the controlling interest of the grantee, within sixty (60) days after
18 the completion of the said transaction. Failure to report to Congress such change of
19 ownership shall render the franchise *ipso facto* revoked. Any person or entity to which
20 this franchise is sold, transferred, or assigned shall be subject to the same conditions,
21 terms, restrictions, and limitations of this Act.
22

23 **SEC. 12. Dispersal of Ownership.** - In accordance with the constitutional
24 provision to encourage public participation in public utilities, the grantee shall offer to
25 Filipino citizens at least thirty percent (30%) of its outstanding capital stocks, or a
26 higher percentage that may hereafter be provided by law, in any securities exchange
27 in the Philippines within five (5) years from the effectivity of this Act: *Provided*, That in
28 cases where public offer of shares is not applicable, other methods of encouraging
29 public participation by citizens and corporations operating public utilities must be
30 implemented. Noncompliance therewith shall render the franchise *ipso facto* revoked.
31

32 **Sec. 13. Commitment to Provide and Promote the Creation of**
33 **Employment Opportunities.** – The grantee shall create employment opportunities
34 and accept on-the-job trainees in the franchise operations: *Provided*, That priority shall
35 be accorded to the residents of the place where the principal office of the grantee is

1 located: *Provided, further,* That the grantee shall comply with the applicable labor
2 standards and allowance entitlement under existing labor laws, rules and regulations,
3 and similar issuances.

4
5 The employment opportunities or jobs created shall be reflected in the General
6 Information Sheet (GIS) to be submitted to the Securities and Exchange Commission
7 (SEC) annually.

8
9 **SEC. 14. Reportorial Requirement.** – The grantee shall submit an annual
10 report on its compliance with the terms and conditions of the franchise and on its
11 operations to the Congress of the Philippines, through the Committee on Legislative
12 Franchises of the House of Representatives and the Committee on Public Services of
13 the Senate, on or before April 30 of every year during the term of its franchise.

14
15 The annual report shall include an update on the commencement of activities,
16 development, operation and expansion of business, if applicable; audited financial
17 statements; latest GIS officially submitted to the SEC, if applicable; certification of the
18 NTC on the status of its permits and operations; and an update on the dispersal of
19 ownership undertaking, if applicable.

20
21 The reportorial compliance certificate issued by Congress shall be required
22 before any application for permit or certificate is accepted by the NTC.

23
24 **SEC. 15. Fine.** – Failure of the grantee to submit the requisite annual report to
25 Congress shall be penalized with a fine in the amount of One million pesos
26 (P1,000,000.00) each working day of noncompliance, the effectivity of which shall
27 commence upon applicability with other telecommunications franchise grantees:
28 *Provided,* That in the interim, the grantee shall be liable to pay the fine of Five hundred
29 pesos (P500.00) per working day of noncompliance to the NTC. The fine shall be
30 collected separately from the reportorial penalties imposed by the NTC, and it shall be
31 remitted to the Bureau of the Treasury.

32 **SEC. 16. Equality of Treatment in the Telecommunications Industry.** – Any
33 advantage, favor, privilege, exemption, or immunity granted under existing franchises,
34 or which may hereafter be granted for telecommunications, upon prior review and

1 approval of Congress, shall become part of this franchise and shall be accorded
2 immediately and unconditionally to the herein grantee: *Provided*, That the foregoing
3 shall neither apply to nor affect the provisions of telecommunications franchises
4 concerning territorial coverage, the term, or the type of service authorized by the
5 franchise.

6
7 **SEC. 17. *Repealability and Nonexclusivity Clause.*** – This franchise shall be
8 subject to amendment, alteration, or repeal by Congress when the public interest so
9 requires and shall not be interpreted as an exclusive grant of the privilege herein
10 provided for.

11
12 **SEC. 18. *Separability Clause.*** – If any of the sections or provisions of this Act
13 is held invalid, all other provisions not affected thereby shall remain valid.

14
15 **SEC. 19. *Repealing Clause.*** – All laws, decrees, orders, resolutions,
16 instructions, rules and regulations, and other issuances or parts thereof which are
17 inconsistent with the provisions of this Act are hereby repealed, amended, or modified
18 accordingly.

19
20 **SEC. 20. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
21 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,