

SIXTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
Third Regular Session )



Senate  
Office of the Secretary

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SENATE

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COMMITTEE REPORT NO. 451

Submitted by the Committee on Public Services on FEB 0 1 2016

RE : H. B. No. 5601

Recommending its approval without amendment.

Sponsor : Senator Osmeña III

MR. PRESIDENT:

The Senate Committee on Public Services to which was referred H. B. No. 5601, introduced by Representatives Apostol and Teodoro, entitled:

**"AN ACT EXTENDING TO ANOTHER TWENTY-FIVE(25) YEARS THE FRANCHISE GRANTED TO THE PHILIPPINE TELEGRAPH AND TELEPHONE CORPORATION (PT&T) TO ESTABLISH, INSTALL, MAINTAIN AND OPERATE WIRE AND/OR WIRELESS TELECOMMUNICATIONS SYSTEMS, LINES, CIRCUITS AND STATIONS THROUGHOUT THE PHILIPPINES FOR PUBLIC DOMESTIC AND INTERNATIONAL COMMUNICATIONS UNDER REPUBLIC ACT NO. 4161, AS AMENDED."**

has considered the same and has the honor to report it back to the Senate with the recommendation that the attached H. B. No. 5601 be approved without amendment.

Respectfully submitted:

RAMON BONG REVILLA, JR.  
Chairperson  
Committee on Public Services

*Sergio R. Osmeña III*  
SERGIO R. OSMEÑA III  
Acting Chairperson  
Committee on Public Services

**MEMBERS:**



**SONNY ANGARA**



**PIA S. CAYETANO**

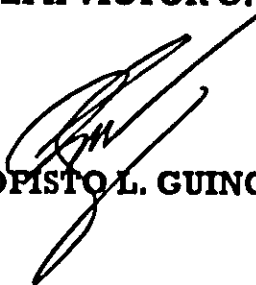
**JINGGOY EJERCITO ESTRADA**



**JOSEPH VICTOR G. EJERCITO**



**GREGORIO B. HONASAN II**



**TEOPISTO L. GUINGONA III**



**GRACE POE**

**ANTONIO "SONNY" F. TRILLANES IV**



**CYNTHIA A. VILLAR**

**EX-OFFICIO MEMBERS:**

**RALPH G. RECTO**  
*President Pro-Tempore*



**JUAN PONCE ENRILE**  
*Minority Floor Leader*

**ALAN PETER S. CAYETANO**  
*Majority Floor Leader*

**FRANKLIN M. DRILON**  
*Senate President*  
*Pasay City*



HOUSE OF REPRESENTATIVES

H. No. 5601

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BY REPRESENTATIVES APOSTOL AND TEODORO, PER COMMITTEE REPORT  
No. 628

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AN ACT EXTENDING TO ANOTHER TWENTY-FIVE (25) YEARS THE  
FRANCHISE GRANTED TO THE PHILIPPINE TELEGRAPH  
AND TELEPHONE CORPORATION (PT&T) TO ESTABLISH,  
INSTALL, MAINTAIN AND OPERATE WIRE AND/OR  
WIRELESS TELECOMMUNICATIONS SYSTEMS, LINES,  
CIRCUITS AND STATIONS THROUGHOUT THE PHILIPPINES  
FOR PUBLIC DOMESTIC AND INTERNATIONAL  
COMMUNICATIONS UNDER REPUBLIC ACT NO. 4161, AS  
AMENDED

*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  
2 provisions of the 1987 Philippine Constitution and applicable laws, rules and  
3 regulations, the franchise granted to the Philippine Telegraph and Telephone  
4 Corporation (PT&T), under Republic Act No. 4161, as amended by Republic  
5 Acts Numbered 5048 and 6970, and hereunder referred to as the grantee, its  
6 successors or assignees, to construct, install, establish, operate, and maintain  
7 for commercial purposes and in the public interest, wire and/or wireless  
8 telecommunications systems, including all other telecommunications systems  
9 technologies as are at present available or will be made available through  
10 technological advances or innovations in the future; and/or construct, acquire,

1 lease and operate, or manage transmitting and receiving stations, lines, cables  
2 or systems in the Philippines, for domestic and international communications,  
3 is hereby renewed for another twenty-five (25) years from the effectivity of this  
4 Act.

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

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

26       **SEC. 4. *Excavation and Restoration Works.*** – For the purpose of  
27 erecting and maintaining poles or other supports for said wires or other  
28 conductors for the purpose of laying and maintaining underground wires,

1 cables, or other conductors, it shall be lawful for the grantee, its successors or  
2 assignees, with the prior approval of the Department of Public Works and  
3 Highways (DPWH) or the local government unit (LGU) concerned, as may be  
4 appropriate, to make excavations or lay conduits in any of the public places,  
5 roads, highways, streets, lanes, alleys, avenues, sidewalks, or bridges of the  
6 provinces, cities and/or municipalities: *Provided, however,* That a public  
7 place, road, highway, street, lane, alley, avenue, sidewalk, or bridge disturbed,  
8 altered, or changed by reason of erection of poles or other supports or the  
9 underground laying of wires, other conductors or conduits, shall be repaired  
10 and replaced in workmanlike manner by the said grantee, its successors or  
11 assignees, in accordance with the standards set by the DPWH or the LGU  
12 concerned. Should the grantee, its successors or assignees, after the ten  
13 (10)-day notice from the said authority, fail, refuse or neglect to repair or  
14 replace any part of a public place, road, highway, street, lane, alley, avenue,  
15 sidewalk, or bridge disturbed, altered, or changed by the said grantee, its  
16 successors or assignees, then the DPWH or the LGU concerned shall have the  
17 right to have the same repaired and placed in good order and condition at  
18 double expense to be charged against the grantee, its successors or assignees.

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

23 The grantee shall provide basic or enhanced telephone service in any  
24 city and/or municipality in the Philippines where it has an approved Certificate  
25 of Public Convenience and Necessity for the establishment, operation, and  
26 maintenance of a local exchange service, without discrimination to any  
27 applicant therefor, in the order of the date of their applications, up to the limit  
28 of the capacity of its local telephone exchange and, should the demand for the

1 telephone service at any time increase beyond the capacity thereof, the grantee  
2 shall increase the same to meet the demand: *Provided*, That in case the total  
3 demand to be satisfied by the expansion is less than the smallest viable local  
4 exchange available in the market as determined by the NTC, the grantee shall  
5 not be obliged to furnish such service unless the applicant for telephone  
6 service defrays the actual expenses for the installation of the  
7 telecommunications apparatus necessary for the services and in such case, the  
8 NTC may extend the time within which the grantee shall furnish the service.

9 The grantee shall operate and maintain all its stations, lines, cables,  
10 systems, and equipment for the transmission and reception of messages,  
11 signals, and pulses in a satisfactory manner at all times, and, as far as  
12 economical and practicable, modify, improve, or change such stations, lines,  
13 cables, systems, and equipment to keep abreast with the advances in science  
14 and technology.

15 **SEC. 6. Rates for Services.** - The charges and rates for  
16 telecommunications services of the grantee, except the rates and charges on  
17 those that may hereafter be declared or considered as nonregulated services,  
18 whether flat rates or measured rates or variation thereof, shall be subject to the  
19 approval of the NTC or its legal successor. The rates to be charged by the  
20 grantee shall be unbundled, separable, and distinct among the services offered  
21 and shall be determined in a manner that regulated services do not subsidize  
22 the unregulated ones.

23 **SEC. 7. Right of Government.** - A special right is hereby reserved to  
24 the President of the Philippines, in times of war, rebellion, public peril,  
25 calamity, emergency, disaster, or disturbance of peace and order: to  
26 temporarily take over and operate the stations, transmitters, facilities, or  
27 equipment of the grantee; to temporarily suspend the operation of any station,  
28 transmitter, facility, or equipment in the interest of public safety, security, and

1 public welfare; or to authorize the temporary use and operation thereof by any  
2 agency of the government, upon due compensation to the grantee, for the use  
3 of the stations, transmitters, facilities, or equipment during the period when  
4 these shall be so operated.

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

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

12 **SEC. 9. *Acceptance and Compliance.*** — Acceptance of this franchise  
13 shall be given in writing to the Congress of the Philippines, through the  
14 Committee on Legislative Franchises of the House of Representatives and the  
15 Committee on Public Services of the Senate, within sixty (60) days from  
16 the effectivity of this Act. Upon giving such acceptance, the grantee shall  
17 exercise the privileges granted under this Act. Nonacceptance shall render the  
18 franchise void.

19 **SEC. 10. *Right of Interconnection.*** — The grantee is hereby authorized  
20 to connect or demand connection of its telecommunications systems to other  
21 telecommunications systems installed, operated, and maintained by any other  
22 duly authorized person or entity in the Philippines for the purpose of providing  
23 extended and improved telecommunications services to the public, under the  
24 terms and conditions mutually agreed upon by the parties concerned; this right  
25 shall be subject to the review and modification of the NTC.

26 **SEC. 11. *Gross Receipts.*** — The grantee, its successors or assignees,  
27 shall keep a separate account of the gross receipts of the business transacted by  
28 it and shall furnish the Commission on Audit (COA) and the National

1 Treasury a copy of such account not later than the thirty-first (31<sup>st</sup>) day of  
2 January of each year for the preceding twelve (12) months.

3 SEC. 12. *Books and Accounts.* – The books and accounts of the  
4 grantee, its successor or assignees, shall always be open to the inspection of  
5 the COA and its duly authorized representatives. It shall be the duty of the  
6 grantee to submit to the COA two (2) copies of the quarterly reports on the  
7 gross receipts, the net profits and the general condition of the business.

8 SEC. 13. *Warranty In Favor of the National and Local Governments.*  
9 – The grantee shall hold the national, provincial, city, and municipal  
10 governments of the Philippines free from all claims, accounts, demands, or  
11 actions arising out of accidents or injuries, whether to property or to persons,  
12 caused by the construction or operation of the stations, transmitters, facilities,  
13 and equipment of the grantee.

14 SEC. 14. *Sale, Lease, Transfer, Usufruct, or Assignment of Franchise.*  
15 – The grantee shall not sell, lease, transfer, grant the usufruct of, nor assign  
16 this franchise or the rights and privileges acquired thereunder to any person,  
17 firm, company, corporation, or other commercial or legal entity, nor merge  
18 with any other corporation or entity, nor shall transfer the controlling interest  
19 of the grantee, whether as a whole or in parts, and whether simultaneously or  
20 contemporaneously, to any person, firm, company, corporation, or entity  
21 without the prior approval of the Congress of the Philippines: *Provided*, That  
22 Congress shall be informed of any sale, lease, transfer, grant of usufruct, or  
23 assignment of franchise or the rights and privileges acquired thereunder, or of  
24 the merger, or transfer of the controlling interest within sixty (60) days after  
25 the completion of said transaction: *Provided, further*, That failure to report to  
26 Congress such change of ownership shall render the franchise *ipso facto*  
27 revoked: *Provided, finally*, That any person or entity to which this franchise is



1 sold, transferred, or assigned shall be subject to the same conditions, terms,  
2 restrictions, and limitations of this Act.

3       SEC. 15. *Dispersal of Ownership.* — In accordance with the  
4 constitutional provision to encourage public participation in public utilities, the  
5 grantee shall offer to Filipino citizens at least thirty percent (30%) or a higher  
6 percentage that may hereafter be provided by law of its outstanding capital  
7 stock in any securities exchange in the Philippines within five (5) years from  
8 the commencement of its operations: *Provided,* That in cases where public  
9 offer of shares is not applicable, establishment of cooperatives operating  
10 public utilities must be implemented. Noncompliance therewith shall render  
11 the franchise *ipso facto* revoked.

12       SEC. 16. *Reportorial Requirement.* — The grantee shall submit an  
13 annual report to the Congress of the Philippines, through the Committee on  
14 Legislative Franchises of the House of Representatives and the Committee on  
15 Public Services of the Senate, on its compliance with the terms and conditions  
16 of the franchise and on its operations on or before April 30 of every year  
17 during the term of its franchise. The reportorial compliance certificate issued  
18 by Congress shall be required before any application for permit or certificate is  
19 accepted by the NTC.

20       SEC. 17. *Penalty Clause.* — Failure of the grantee to submit the  
21 requisite annual report to Congress shall be penalized with a fine of five  
22 hundred pesos (P500.00) per working day of noncompliance. The fine shall  
23 be collected by the NTC from the delinquent franchise grantee separate from  
24 the reportorial penalties imposed by the NTC. The collected funds shall  
25 accrue to the monitoring fund of the NTC in line with its supervisory and  
26 regulatory functions.

1           SEC. 18. *Equality Clause.* - Any advantage, favor, privilege,  
2 exemption, or immunity granted under other existing franchises, or which may  
3 hereafter be granted, upon prior review and approval of Congress, shall  
4 become part of this franchise and shall be accorded immediately and  
5 unconditionally to the herein grantee: *Provided,* That the foregoing shall  
6 neither apply to nor affect the provisions of telecommunications franchises  
7 concerning territory covered by the franchise, the life span of the franchise or  
8 the type of service authorized by the franchise.

9           SEC. 19. *Separability Clause.* - If any of the sections or provisions of  
10 this Act is held invalid, all other provisions not affected thereby shall remain  
11 valid.

12           SEC. 20. *Repealability and Nonexclusivity Clause.* - This franchise  
13 shall be subject to amendment, alteration, or repeal by the Congress of the  
14 Philippines when the public interest so requires and shall not be interpreted as  
15 an exclusive grant of the privileges herein provided for.

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

Approved,