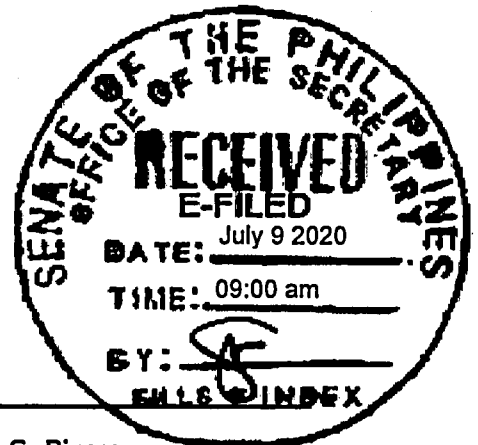


EIGHTEENTH CONGRESS OF THE REPUBLIC
OF THE PHILIPPINES
Second Regular Session

SENATE
S.B. NO. 1680



Introduced by Senator Maria Lourdes Nancy S. Binay

AN ACT

RENEWING THE FRANCHISE GRANTED TO THE AZ COMMUNICATIONS NETWORK INC. UNDER REPUBLIC ACT NO. 8165 ENTITLED "AN ACT GRANTING THE AZ COMMUNICATIONS NETWORK INC., A FRANCHISE TO CONSTRUCT, INSTALL, OPERATE AND MAINTAIN PUBLIC RADIOTELEPHONE AND RADIOTELEGRAPH COASTAL STATIONS FOR THE RECEPTION AND TRANSMISSION OF RADIOTELEPHONE AND RADIOTELEGRAPH COMMUNICATIONS WITHIN THE PHILIPPINES" FOR ANOTHER TWENTY-FIVE (25) YEARS

EXPLANATORY NOTE

In 1995, by virtue of Republic Act No. 8165, AZ Communications Network Inc. (AZCOM) was granted a franchise to construct, establish, install, operate and maintain, for commercial purposes and in the public interest, radiotelegraph and/or radiotelephone communication stations, with corresponding relay stations in the inter-island, maritime, aeronautical and international public services, both national and/or international, to provide radio communication services and equipment to private firms, companies and corporations within their respective internal frame, and/or to communicate from within the grantee's station or stations.

AZCOM was founded in April 1988 as an alternative service provider in telecommunications. It has a flexible flat organization, 20 to 30 personnel, structure with highly skilled and experienced professionals from the

telecommunications industry. A corporation organized and existing under the laws of the Republic of the Philippines.

AZCOM is a data communication provider that offers internet services and data connectivity to small and medium enterprises (SME) and government organizations. It has been given Provisional authority by the National Telecommunications Commission (NTC) to operate in 116 municipalities.

In the course of its operations, it has implemented the following services and technologies: Local Multipoint Distribution System (LMDS), Wireless Local Loop (WLL), Very Small Aperture Terminal (VSAT), Very High Frequency (VHF), and Ultra High Frequency (UHF) Microwave Radios, Satellite Uplink Facilities.

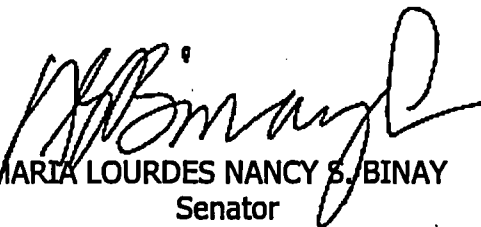
In addition, AZCOM's previous engagements include:

1. Energizing the power sector through assisted power cooperatives and distributors to go online and participate in the Wholesale Electricity Spot Market.
2. The bridge to on-line rural banking by providing internet service that help rural banks get on-line and be connected to the Bangko Sentral ng Pilipinas, other banks and their clients.
3. Public Service within your reach through helping remote municipalities to the provincial and central governments via Internet.
4. Disaster Recovery by sending its engineers and equipment, AZCOM was the first to establish VSAT data communication link in Leyte in the aftermath of typhoon Yolanda.
5. Arming the military with information technology by providing secure communications network and mobility of satellite equipment
6. Participating in Electoral Reforms by establishing data communications
7. Taking education to a higher level by providing the youth reliable access to information

8. Government's Free Public Wifi to provide free internet to far flung areas of 3rd, 4th, 5th and 6th class municipalities

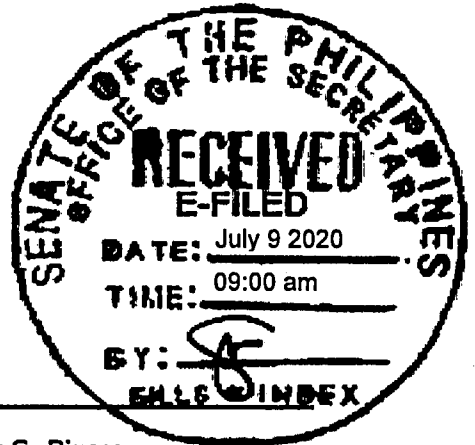
Considering that AZCOM has been providing internet access in remote areas and is focused on delivering communication to underserved communities in the provinces which is in line with the government's policy. This measure seeks to provide information technology services to the Filipino people.

In view of the foregoing, the passage of this measure is earnestly sought.


MARIA LOURDES NANCY S. BINAY
Senator

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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
3 granted to the AZ Communications Network Inc., hereunder referred to as the
4 grantee, its successors or assigns, a franchise to construct, establish, install,
5 operate and maintain, for commercial purposes and in the public interest,
6 radiotelegraph and/or radiotelephone communication stations, with
7 corresponding relay stations in the inter-island, maritime, aeronautical and
8 international public services, both national and/or international, to provide radio
9 communication services and equipment to private firms, companies and
10 corporations within their respective internal frame, and/or to communicate from
11 within the grantee's station or stations, is hereby renewed for another twenty-
12 five (25) years from the effectivity of this Act.

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
3 most result only in the minimum interference on the wavelengths or frequencies
4 of the existing stations or other stations which may be established in accordance
5 with law, without in any way diminishing its own right to use its selected
6 wavelengths or frequencies and the quality of transmission or reception thereon
7 as should maximize rendition of the grantee's services and/or the availability
8 thereof.

9
10 **Sec. 3. *Prior Approval of the National Telecommunications Commission.*** –
11 The grantee shall secure from the National Telecommunications Commission the
12 appropriate permits and licenses for its stations and shall not use any frequency
13 in the radio spectrum without having been authorized by the Commission. The
14 Commission, however, shall not unreasonably withhold or delay the grant of any
15 such authority.

16
17 **Sec. 4. *Responsibility to the Public.*** – The grantee shall conform to the
18 ethics of honest enterprise and shall not use its stations for obscene or indecent
19 or for the dissemination of deliberately false information or willful
20 misrepresentation, or assist in subversive or treasonable acts.

21
22 **Sec. 5. *Rates for Services.*** – The charges and rates for services, excluding
23 the sale or lease of equipment or units, that the grantee shall offer to the public
24 shall be subject to the approval of the National Telecommunications Commission
25 or its legal successor.

26
27 **Sec. 6. *Right of Government.*** – The President of the Philippines, in times
28 of war, rebellion, public peril, calamity, emergency, disaster or disturbance of
29 peace and order, may temporarily take over and operate the stations, transmitter
30 systems, facilities, and equipment of the grantee, temporarily suspend the

1 operation of a station in the interest of public safety, security and public welfare,
2 or authorize the temporary use and operation thereof by any agency of the
3 government, upon due compensation to the grantee, for the use of said stations,
4 transmitter systems, facilities, and equipment during the period when they shall
5 be so operated.

6
7 **Sec. 7. *Term of Franchise.*** – This franchise shall be for a term of twenty-
8 five (25) years from the date of effectivity of this Act, unless sooner revoked or
9 cancelled. In the event the grantee fails to operate continuously for two (2)
10 years, this franchise shall be deemed ipso facto revoked.

11
12 **Sec. 8. *Tax Provisions.*** – The grantee, its successors or assigns, shall be
13 liable to pay the same taxes on their real estate, buildings and personal property,
14 exclusive of this franchise, as other persons or corporations are now or hereafter
15 may be required by law to pay. In addition thereto, the grantee, its successors or
16 assigns, shall pay a franchise tax equivalent to three percent (3%) of all gross
17 receipts of the business transacted under this franchise by the grantee, its
18 successors or assigns: provided, that the grantee, its successors or assigns, shall
19 continue to be liable for income taxes payable under Title II of the National
20 Internal Revenue Code pursuant to Sec. 2 of Executive Order No. 72 unless the
21 latter enactment is amended or repealed, in which case the amendment or
22 repeal shall be applicable thereto.

23
24 The grantee shall file the return with and pay the tax due thereon to the
25 Commissioner of Internal Revenue or his duly authorized representatives in
26 accordance with the National Internal Revenue Code, and the return be subject
27 to audit by the Bureau of Internal revenue.

28
29 **Sec. 9. *Sale, Lease, Transfer, Usufruct, etc.*** – The grantee shall not lease,
30 transfer, grant the usufruct of, sell nor assign this franchise or the rights and

1 privileges acquired there under to any person, firm, company, corporation or
2 other commercial or legal entity, nor merge with any corporation or entity
3 without the prior approval of the Congress of the Philippines. Neither shall the
4 controlling interest in the grantee be transferred, whether as a whole or in parts
5 and whether simultaneously or contemporaneously, to any such person, firm,
6 company, corporation or entity without the prior approval of the Congress of the
7 Philippines. Any person or entity to which this franchise is sold, transferred or
8 assigned, shall be subject to all the same conditions, terms, and limitations of
9 this Act.

10

11 Sec. 10. *Warranty in favor of National and Local Governments.* – The
12 grantee shall hold the national, provincial, and municipal governments of the
13 Philippines harmless from all claims, accounts, demands or actions arising out of
14 accidents or injuries, whether to property or to persons, caused by the
15 construction or operation of the stations, facilities, and equipment of the grantee.

16

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

19

20 Sec. 12. *Repealing and Non-exclusivity Clause.* – This franchise shall be
21 subject to amendment, alteration, or repeal by the Congress of the Philippines
22 when the public interest so requires and shall not be interpreted as an exclusive
23 grant of the privileges herein provided for.

24

25 Sec. 13. *Reportorial requirement.* – The grantee shall submit an annual
26 report to the Congress of the Philippines on its compliance with the terms and
27 conditions of its franchise and on its operations within sixty (60) days from the
28 end of every year.

29

1 **Sec. 14. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days
2 after its publication in the *Official Gazette* or in two (2) newspapers of general
3 circulation.

Approved,