



HOUSE OF REPRESENTATIVES

H. No. 8975

BY REPRESENTATIVES LEACHON, ALVAREZ (F.) AND MACEDA, PER COMMITTEE REPORT NO. 848

AN ACT

1
2 RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE
3 GRANTED TO CALAPAN TELEPHONE SYSTEM, INC., FORMERLY KNOWN AS
4 THE CALAPAN TELEPHONE SYSTEM, INC., UNDER REPUBLIC ACT NO. 8351,
5 ENTITLED "AN ACT GRANTING THE CALAPAN TELEPHONE SYSTEM, INC., A
6 FRANCHISE TO CONSTRUCT ESTABLISH, INSTALL, MAINTAIN AND OPERATE
7 LOCAL EXCHANGE NETWORK IN THE PROVINCE OF ORIENTAL MINDORO"

8
9 Be it enacted by the Senate and House of Representatives of the Philippines in
10 Congress assembled:

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12
13 **SECTION 1. *Nature and Scope of Franchise.*** - Subject to the provisions of
14 the Constitution and applicable laws, rules and regulations, the franchise granted to
15 Calapan Telephone System, Inc., hereunder referred to as the grantee, its successor
16 or assignees, under Republic Act No. 8351, to construct, establish, install, maintain,
17 and operate, and for commercial purposes and in the public interest, in the Province
18 of Oriental Mindoro, local access network, wired or wireless telecommunications
19 system, copper, fiber optics, satellite transmit and receive systems, switches and their
20 value-added services such as the transmission of voice, data, facsimile, control signs,
21 audio and video, information services, and all other telecommunication system
22 technologies as are at present available or will be made available through
23 technological advances or innovations in the future; or construct, acquire, lease, and
24 operate, or manage transmitting and receiving stations, lines, cables, or systems. and
25 associated equipment as are convenient and essential to efficiently carry out the
26 purpose of this franchise, is hereby renewed for another twenty-five (25) years.

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 right to use its assigned wavelengths or frequencies and the quality
6 of transmission or reception thereon as should maximize rendition of the grantee's
7 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 purposes 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

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

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

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

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

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

32
33 **SEC. 6. Rates for Services.** – The charges and rates for telecommunications
34 services of the grantee, except the rates and charges on those that may hereafter be

1 declared or considered as nonregulated services, whether flat rates or measured rates
2 or variations thereof, shall be subject to the approval of the NTC or its legal successor.
3 The rates to be charged by the grantee shall be unbundled, separable, and distinct
4 among the services offered and shall be determined in such a manner that regulated
5 services do not subsidize the unregulated ones.

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

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

19
20 **SEC. 8. Term of Franchise.** – This franchise shall be in effect for a period of
21 twenty-five (25) years from the date of the effectivity of this Act, unless sooner
22 cancelled. This franchise shall be deemed *ipso facto* revoked in the event the grantee
23 fails to operate continuously for two (2) years.

24
25 **SEC. 9. Renewal or Extension of Franchise.** – The grantee shall apply for the
26 renewal or extension of its franchise three (3) years before its expiration which shall
27 be reckoned from fifteen (15) days after the publication of the franchise in the *Official*
28 *Gazette* or in a newspaper of general circulation.

29
30 **SEC. 10. Right of Interconnection.** – The grantee is hereby authorized to
31 connect or demand connection of its telecommunications systems to other
32 telecommunications systems installed, operated, and maintained by any other duly
33 authorized person or entity in the Philippines for the purpose of providing extended
34 and improved telecommunications services to the public, under the terms and

1 conditions mutually agreed upon by the parties concerned. This right shall be subject
2 to the review and modification of the NTC.

3
4 **SEC. 11. *Warranty in Favor of the National and Local Governments.*** - The
5 grantee shall hold the national, provincial, city, and municipal governments of the
6 Philippines free from all claims, liabilities, accounts, demands, or actions arising out of
7 accidents causing injury to persons or damage to properties, during the construction
8 or operation of the stations, transmitters, facilities, or equipment of the grantee.

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

25
26 **SEC. 13. *Dispersal of Ownership.*** - In accordance with the constitutional
27 provision to encourage public participation in public utilities, the grantee shall offer to
28 Filipino citizens at least thirty percent (30%) of its common stocks, or a higher
29 percentage that may hereafter be provided by law, in any securities exchange in the
30 Philippines within five (5) years from the effectivity of this Act: *Provided*, That in cases
31 where public offer of shares is not applicable, other methods of encouraging public
32 participation by citizens and corporations operating public utilities must be
33 implemented. Noncompliance therewith shall render the franchise *ipso facto* revoked.

1 **Sec. 14. Commitment to Provide and Promote the Creation of**
2 **Employment Opportunities.** – The grantee shall create employment opportunities
3 and accept on-the-job trainees in the franchise operations: *Provided*, That priority shall
4 be accorded to the residents of the place where the principal office of the grantee is
5 located: *Provided further*, That the grantee shall ensure that at least sixty percent
6 (60%) of its employees are regular employees and in no case shall the percentage of
7 contractual, job order, or casual employees, and independent contractors combined,
8 exceed forty percent (40%) of its total workforce: *Provided, finally*, That the grantee
9 shall comply with the applicable labor standards and allowance entitlement under
10 existing labor laws, rules and regulations, and similar issuances.

11
12 The employment opportunities or jobs created shall be reflected in the General
13 Information Sheet (GIS) to be submitted to the Securities and Exchange Commission
14 (SEC) annually. In addition, the grantee shall include in its annual report to Congress
15 the number of trainees and workers whose employment status are made regular, and
16 append the appropriate certificate from the Department of Labor and Employment
17 attesting that it has complied with the employment requirement under this Section.

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

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

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

1 **SEC. 16. *Fine.*** – Failure of the grantee to submit the requisite annual report to
2 Congress shall be penalized with a fine in the amount of One million pesos
3 (P1,000,000.00) each working day of noncompliance, the effectivity of which shall
4 commence upon applicability with other telecommunications franchise grantees:
5 *Provided*, That in the interim, the grantee shall be liable to pay the fine of Five hundred
6 pesos (P500.00) per working day of noncompliance to the NTC. The fine shall be
7 collected separately from the reportorial penalties imposed by the NTC, and it shall be
8 remitted to the Bureau of the Treasury.

9
10 **SEC. 17. *Equality Clause.*** – Any advantage, favor, privilege, exemption, or
11 immunity granted under existing franchises, or which may hereafter be granted for
12 telecommunications, upon prior review and approval of Congress, shall become part
13 of this franchise and shall be accorded immediately and unconditionally to the herein
14 grantee: *Provided, however*, That the foregoing shall neither apply to nor affect the
15 provisions of telecommunications franchises concerning territory covered by the
16 franchise, the life span of the franchise, or the type of service authorized by the
17 franchise.

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

23
24 **SEC. 19. *Separability Clause.*** – If any of the sections or provisions of this Act
25 is held invalid, all other provisions not affected thereby shall remain valid.

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

31
32 **SEC. 22. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
33 publication in the *Official Gazette* or in a newspaper of general circulation.

34 Approved,