



## HOUSE OF REPRESENTATIVES

H. No. 5297

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INTRODUCED BY HONORABLE LAZATIN, ZUBIRI, JR., MADRONA, TUPAS, CATANE, ESPINA, RAMA, SR., BAGATSING, (A.), SALALIMA, BENGSON III, YULO, PEREZ, JR., BARBERS, PARAS, LOCSIN, DEL MAR, TINGA, LIBAN, CUA, ESCUDERO III, RUMUALDO, TUAZON, ZARRAGA, SUAREZ, MARAÑON, RAMIRO, ESPINOSA, AQUINO (H.), LOBREGAT, FUGOSO, ASISTIO, MATTI, VALDEZ, AND MARTINEZ, JR.

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AN ACT GRANTING THE GENERAL TELEPHONE SYSTEM, INC., A FRANCHISE TO CONSTRUCT, INSTALL, MAINTAIN, ESTABLISH AND OPERATE LOCAL EXCHANGE NETWORK IN THE MUNICIPALITIES OF ATIMONAN, CANDELARIA, GUMACA, INFANTA, SARIAYA, TIAONG, DOLORES, AND PITOGO, PROVINCE OF QUEZON; MUNICIPALITIES OF PADRE GARCIA, SAN JUAN, AND MABINI, PROVINCE OF BATANGAS; MUNICIPALITY OF PASACAO, PROVINCE OF CAMARINES SUR; AND MUNICIPALITY OF PARACALE, PROVINCE OF CAMARINES NORTE

*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 Constitution and applicable laws, rules and
- 3 regulations, there is hereby granted to the General Telephone

1 System, Inc., hereunder referred to as the grantee, its successors or  
2 assigns, a franchise to construct, install, maintain, establish and  
3 operate telecommunications stations, network systems and  
4 facilities, including local exchange network, public calling stations  
5 or pay telephone stations and their value-added services in the  
6 municipalities of Atimonan, Candelaria, Gumaca, Infanta, Sariaya,  
7 Tiaong, Dolores, and Pitogo, Province of Quezon; the municipalities  
8 of Padre Garcia, San Juan, and Mabini, Province of Batangas;  
9 the Municipality of Pasacao, Province of Camarines Sur; and the  
10 Municipality of Paracale, Province of Camarines Norte, and for  
11 such purpose provide universal basic telephone service capable of  
12 accessing local, national, international and other networks.

13 *SEC. 2. Manner of Operation of Stations or Facilities.* - The  
14 stations or facilities of the grantee shall be constructed and operated,  
15 and the wavelengths so selected in a manner as will at most result  
16 only in the minimum interference on the wavelengths or frequencies  
17 of the existing stations or other stations of other telecommunication  
18 services grantees which may be established in accordance with law,  
19 without in any way diminishing its own right to use its selected  
20 wavelengths or frequencies and the quality of transmission or  
21 reception thereon as would maximize rendition of the grantee's  
22 services and/or the availability thereof.

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1           SEC. 3. *Prior Approval of the National Telecommunications*  
2   *Commission.* - The grantee shall not exercise any right or privilege  
3   under this franchise without first having obtained such certificate of  
4   public convenience and necessity and such other permits or licenses  
5   from the National Telecommunications Commission or its legal  
6   successor. The Commission, however, shall not unreasonably  
7   withhold or delay the grant of any such authority, permits or  
8   licenses.

9           SEC. 4. *Right of Grantee.* - For the purpose of installing,  
10   operating and maintaining its telecommunications lines, it shall be  
11   lawful for the grantee, its successors or assigns, to make excavations  
12   or lay conduits in any of the public places, highways, streets, lanes,  
13   alleys, avenues, sidewalks, bridges of said provinces, cities, and  
14   municipalities: *Provided, however,* That any public place, highway,  
15   street, lane, alley, avenue, sidewalk or bridge disturbed, altered or  
16   changed by reason of the installation, operation and maintenance of  
17   said telecommunications lines underground, shall be repaired and  
18   replaced in a workmanlike manner by said grantee, its successors or  
19   assigns to the satisfaction of the National Telecommunications  
20   Commission. Should the grantee, its successors or assigns, after  
21   thirty (30) days notice from the proper authority, fail, refuse or  
22   neglect to repair or replace any part of a public place, road, highway,

1 street, lane, alley, avenue, sidewalk or bridge altered, changed or  
 2 disturbed by said grantee, its successors or assigns, then the  
 3 Secretary of Transportation and Communications shall have the  
 4 right to have the same repaired and placed in good order and  
 5 condition at the cost and expense of the grantee, its successors or  
 6 assigns.

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

12        *SEC. 6. Rates for Services.* - The charges and rates for  
 13 services, excluding the sale or lease of equipment or units, that the  
 14 grantee shall offer to the public shall be subject to the approval of  
 15 the National Telecommunications Commission or its legal  
 16 successors.

17        *SEC. 7. Right of Government.* - The President of the  
 18 Philippines, in times of war, rebellion, public peril, calamity,  
 19 emergency, disaster or disturbance of peace and order, may  
 20 temporarily take over and operate the stations, transmitter systems,  
 21 switching stations, and other facilities and equipment of the grantee,  
 22 temporarily suspend the operation of any station in the interest of

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

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

11 SEC. 9. *Acceptance and Compliance.* - Acceptance of this  
 12 franchise shall be given in writing by the grantee within sixty (60)  
 13 days from the effectivity of this Act. Upon giving such acceptance,  
 14 the grantee shall exercise the privileges granted under this Act.  
 15 Nonacceptance shall render the franchise void.

16 SEC. 10. *Tax Provisions.* - The grantee, its successors or  
 17 assigns, shall be liable to pay the same taxes on their real estate,  
 18 buildings and personal property, exclusive of this franchise, as other  
 19 persons or corporations are now or hereafter may be required by  
 20 law to pay. In addition thereto, the grantee, its successors or assigns,  
 21 shall pay a franchise tax at such percentage as may be prescribed by  
 22 law on all gross receipts of the business transacted under this

1 franchise by the grantee, its successors or assigns. The grantee, its  
2 successors or assigns, shall continue to be liable for income taxes  
3 payable under Title II of the National Internal Revenue Code  
4 pursuant to Section 2 of Executive Order No. 72, unless the latter  
5 enactment is amended or repealed, in which case the  
6 amendment or repeal shall be applicable thereto.

7 The grantee shall file the return with and pay the tax due  
8 thereon to the Commissioner of Internal Revenue or his duly  
9 authorized representatives in accordance with the National Internal  
10 Revenue Code and other applicable rules and regulations and the  
11 return shall be subject to audit by the Bureau of Internal Revenue.

12 *SEC. 11. Books and Accounts.* - The books and accounts of  
13 the grantee, its successors or assigns, shall always be open to the  
14 inspection of the Chairman of the Commission on Audit or his  
15 authorized representatives, and it shall be the duty of the grantee to  
16 submit to the Commission on Audit annual reports in duplicate  
17 showing the gross receipts and the net receipts for the past quarter  
18 and the general condition of the business.

19 *SEC. 12. Sale, Lease, Transfer, Usufruct, etc.* - The grantee  
20 shall not lease, transfer, grant the usufruct of, sell nor assign this  
21 franchise or the rights and privileges acquired thereunder to any  
22 person, firm, company, corporation or other commercial or legal

1 entity, nor merge with any corporation or entity without the prior  
2 approval of the Congress of the Philippines. Neither shall the  
3 controlling interest of the grantee be transferred, whether as a whole  
4 or in parts and whether simultaneously or contemporaneously, to  
5 any such person, firm, company, corporation or entity without the  
6 prior approval of the Congress of the Philippines, except when the  
7 transfer is done: (a) through a stock exchange transaction; (b) for  
8 purposes of qualifying persons for election to the board; and (c) to a  
9 corporation that is controlled by the same stockholders as that of the  
10 grantee. Any person or entity to which this franchise is validly sold,  
11 transferred or assigned, shall be subject to all the same conditions,  
12 terms, restrictions, and limitations of this Act.

13       SEC. 13. *Warranty in Favor of National and Local*  
14 *Governments.* - The grantee shall hold the national, provincial and  
15 municipal governments of the Philippines harmless from all claims,  
16 accounts, demands or actions arising out of accidents or injuries,  
17 whether to property or to persons, caused by the construction or  
18 operation of the stations, facilities and equipment of the grantee.

19       SEC. 14. *Right of Interconnection.* - The grantee is hereby  
20 authorized to connect or demand connection of its  
21 telecommunications systems to any other telecommunications  
22 systems installed, operated and maintained by any other duly

1 authorized person or entity in the Philippines for the purpose of  
2 providing extended and improved telecommunications services to  
3 the public, under such terms and conditions as may be prescribed  
4 from time to time by the National Telecommunications  
5 Commission: *Provided*, That ruinous and expensive crisscrossing  
6 interconnections shall be discouraged.

7       SEC. 15. *Public Offering of Common Stocks.* - In compliance  
8 with the constitutional mandate to democratize ownership of public  
9 utilities, the herein grantee shall make a public offering through the  
10 stock exchange of at least thirty percent (30%) of its common stocks  
11 within a period of five (5) years from the date of effectivity of this  
12 Act: *Provided*, That no single person or entity shall be allowed to  
13 own more than five percent (5%) of the stock offering.

14       SEC. 16. *Taking of Private Property.* - No private property  
15 shall be taken for any purpose by the grantee without proper  
16 condemnation proceedings and just compensation paid or tendered  
17 therefor, and any authority to take and occupy land contained  
18 herein shall not apply to the taking, use or occupation of any land  
19 except such as is required for the actual and necessary purposes for  
20 which this franchise is granted.

21       SEC. 17. *Equal and Level Playing Field Provision.* - In the  
22 event of any individual or entity receiving from Congress a



1 franchise to provide similar telecommunications services as the  
 2 herein grantee, in which there shall be any term or terms  
 3 favorable than those herein granted, or tending to place the  
 4 herein grantee at any disadvantage, then such favorable  
 5 provisions, terms or conditions, shall *ipso facto* become part of  
 6 the terms and/or provisions hereof, and shall operate equally  
 7 infavor of the grantee as in the case of such other individual or  
 8 entity.

9       SEC. 18. *Separability Clause.* - If any section or provision of  
 10 this Act is held invalid, all the other provisions not affected thereby  
 11 shall remain valid.

12       SEC. 19. *Repealability and Nonexclusivity Clause.* - This  
 13 franchise shall be subject to amendment, alteration, or repeal by the  
 14 Congress of the Philippines when the public interest so requires and  
 15 shall not be interpreted as an exclusive grant of the privileges herein  
 16 provided for.

17       SEC. 20. *Reportorial Requirement.* - The grantee shall  
 18 submit an annual report to the Congress of the Philippines on its  
 19 compliance with the terms and conditions of the franchise and on its  
 20 operations within sixty (60) days from the end of every year.

1           SEC. 21. *Effectivity.* - This Act shall take effect fifteen (15)  
2 days from the date of its publication in at least two (2) newspapers  
3 of general circulation.

Approved,

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