



HOUSE OF REPRESENTATIVES

H. No. 9422

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BY REPRESENTATIVES GARBIN, ALVAREZ (F.), GARIN (J.), NIETO, MADRONA, MARTINEZ,  
ABUEG-ZALDIVAR, REVILLA, TAN (A.S.), SIAO, ALBANO, NOGRALES (J.J.), FERRER (L.), ALONTE  
AND OAMINAL, PER COMMITTEE REPORT NO. 989

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AN ACT

GRANTING MAYNILAD WATER SERVICES, INC. A FRANCHISE TO ESTABLISH,  
OPERATE, AND MAINTAIN A WATER SUPPLY AND DISTRIBUTION SYSTEM AND  
SEWERAGE AND SANITATION SERVICES IN THE WEST ZONE SERVICE AREA OF  
METRO MANILA AND PROVINCE OF CAVITE

*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 granted to  
3 Maynilad Water Services, Inc., hereunder referred to as the grantee, its successors or  
4 assignees, a franchise to establish, operate, and maintain, for commercial purposes  
5 and in the public interest, a water supply and distribution system to ensure an  
6 uninterrupted and adequate supply, and distribution of potable water for domestic,  
7 commercial, and other purposes, and for the establishment and maintenance of  
8 sewerage system and sanitation services in the West Zone Service Area of Metro  
9 Manila and Province of Cavite, under a concession from the Metropolitan Waterworks  
10 and Sewerage System (MWSS), or under an appropriate certificate of public  
11 convenience and necessity, license, or permit from the Regulatory Office.

12  
13           **SEC. 2. Definition of Terms.** — As used in Act:

14  
15           (a) *Concession Agreement* refers to the agreement entered into between the  
16 grantee (formerly Benpres-Lyonnaisse Waterworks, Inc.) and MWSS on 21  
17 February 1997, including its Amendment dated 5 October 2001, and the  
18 Memorandum of Agreement and Confirmation dated 22 April 2010, as  
19 amended by the Revised Concession Agreement dated 18 May 2021.

20  
21           (b) *Franchise Area* refers to the Service Area West as defined and delineated  
22 under the Concession Agreement including the cities of Manila (except San  
23 Andres and Sta. Manila), Pasay, Parañaque, Caloocan, Muntinlupa, Las  
24 Piñas, Valenzuela, Navotas, Malabon, and parts of Makati and Quezon City,  
25 and cities of Cavite, Bacoor and Imus, and towns of Kawit, Noveleta and  
26 Rosario in the Province of Cavite, and subject to applicable laws.

1 (c) *Regulatory Office* refers to the Regulatory Office established under the  
2 Concession Agreement (the "MWSS Regulatory Office") or its legal  
3 successor, as may be created or reorganized by Executive Order or by law.  
4

5 **SEC. 3. *Rights and Privileges.*** — Without limiting the scope of authority of  
6 the grantee provided under Section 1, the grantee shall establish, manage, operate,  
7 repair, rehabilitate, expand, and improve the waterworks and sewerage system in the  
8 Franchise Area, including the right to bill and collect fees from end-users for water  
9 supply and sewerage services.

10  
11 The grantee shall also have the rights and privileges to:

- 12  
13 (a) develop, finance, construct, install, maintain, and operate, as its  
14 operations may require, water sources, including new raw water  
15 sources, including deep wells, dams, aqueducts, tunnels, treatment  
16 plants, reservoirs, pump stations, and facilities for transmission,  
17 conveyance and distribution of water including pipelines, machineries,  
18 and other waterworks for the purpose of supplying water in the Franchise  
19 Area, for domestic, commercial, industrial, and other purposes;  
20  
21 (b) recover, supply, distribute, and reuse treated and grey water, whether in  
22 bulk or retail, within Franchise Area for domestic, commercial or  
23 industrial and other purposes;  
24  
25 (c) finance, construct, install, maintain, and operate sewerage systems,  
26 whether separate or combined, as may be necessary for the proper  
27 sanitation and other uses within the Franchise Area: *Provided*, That the  
28 grantee may only offer services to non-residential customers for  
29 industrial effluents compatible with available treatment processes;  
30  
31 (d) purify water from deep well, reservoirs, dams and other water sources  
32 subject to the approval of the Department of Health or any other  
33 government agency concerned;  
34  
35 (e) construct works across, over, through or alongside, any stream, water-  
36 course, canal, ditch, public places, bridges, street, avenue, highway, or  
37 railway, as the location of said works may require: *Provided*, That the  
38 works be constructed in a manner as to afford security to life and  
39 property, and to the extent reasonably possible not to obstruct  
40 traffic: *Provided, further*, That the stream, water-course, canal, ditch,  
41 public places, bridges, street, avenue, highway, or railway so crossed or  
42 intersected shall be restored as provided in Section 6; and  
43  
44 (f) disconnect water supply and discontinue provision of water or  
45 wastewater services if customer defaults in the payment of fees for the  
46 services provided, or for acts of pilferage pursuant to Republic Act No.  
47 8041 or the "National Water Crisis Act of 1995".

1           **SEC. 4. Manner of Operation of Stations or Facilities.** – All waterworks and  
2 sewerage systems for water and sewerage services owned, maintained, operated, or  
3 managed by the grantee, its successors or assignees shall be operated and  
4 maintained at all times in accordance with industry standards provided for in RA No.  
5 9275 or the “Philippine Clean Water Act of 2004” and Presidential Decree No. 1067 or  
6 “The Water Code of the Philippines”, and as specified in the Concession Agreement,  
7 certificate of public convenience and necessity, license or permit.  
8

9           The grantee shall comply with the resolutions, issuances, and standards set, by  
10 the Regulatory Office and other concerned government agencies.  
11

12           It shall be the duty of the grantee, its successors or assignees, whenever  
13 required to do so by the Regulatory Office, or any authorized government agency, to  
14 modify, improve, and change the waterworks and sewerage system or facilities in a  
15 manner and extent as the technological improvements in the water supply and  
16 sewerage services shall render beneficial to consumers, and shall promote efficiency  
17 and environmental sustainability.  
18

19           The grantee shall promote water conservation and avoid water wastage. With  
20 the approval of the Regulatory Office and considering cost efficiencies, the grantee  
21 shall establish water impounding facilities, consider and undertake the recovery and  
22 appropriate reuse of wastewater, grey water, industrial water, and reclaimed water.  
23 The grantee may adopt waste-to-energy or similar technology utilizing sludge waste  
24 from its wastewater facilities to promote energy efficiency in its operations.  
25

26           **SEC. 5. Certificate of Public Convenience and Necessity, License or**  
27 **Permit.** – For purposes of this Act, the Concession Agreement shall serve as the  
28 certificate of public convenience and necessity, license, or permit of the grantee for  
29 the operation of its waterworks and sewerage system.  
30

31           The Concession Agreement between the MWSS and the grantee shall remain  
32 valid unless otherwise terminated, after due notice and hearing for reasons provided  
33 in the Concession Agreement, or invalidated by a court of competent jurisdiction or by  
34 a government agency authorized by law to do so when national security, national  
35 emergency, or public interest so requires, or unless modified or amended under this  
36 Act or any subsequent law.  
37

38           The grantee, its successors or assignees, shall apply for a certificate of public  
39 convenience and necessity, license, or permit when a new regulatory framework for  
40 water service providers is established by law or when required by the Regulatory  
41 Office, which will supersede the terms and conditions of the Concession Agreement:  
42 *Provided*, That if the public service function and the recovered and retained assets of  
43 the MWSS, as defined in the Concession Agreement, are privatized by law, the  
44 grantee shall have the right to match the highest compliant bid after a public bidding  
45 for MWSS owned assets in the waterworks and sewerage system in the Franchise  
46 Area. The right to match shall be exercised within thirty (30) days from receipt of written  
47 notice of the amount of the highest compliant bid, and the grantee shall have a period  
48 of ninety (90) days to pay the bid price: *Provided, further*, That the bidding process  
49 shall be in accordance with the Commission on Audit Circular No. 89-296 or the “Audit  
50 Guidelines on the Divestment or Disposal of Property and Other Assets of National  
51 Government Agencies and Instrumentalities, Local Government Units and  
52 Government-Owned or Controlled Corporations and their Subsidiaries” and other  
53 related laws or issuances.

1           **SEC. 6. Excavation and Restoration Works** – For the purpose of erecting  
2 and maintaining water pipelines, sewerage line, and other related facilities, it shall be  
3 lawful for the grantee, its successors or assignees, with prior approval of the  
4 Department of Public Works and Highways (DPWH), Metropolitan Manila  
5 Development Authority (MMDA), or the local government units (LGU) concerned, as  
6 may be appropriate, to make excavations or lay pipes in any of the public places,  
7 roads, highways, streets, lanes, alleys, avenues, sidewalks, or bridges in the  
8 Franchise Area: *Provided, however,* That public place, road, highway, street, lane,  
9 alley, avenue, sidewalk, or bridge disturbed, altered, or changed by reason of erection  
10 of water pipelines and other related facilities, shall be repaired or replaced in  
11 workmanlike manner by the grantee, its successors or assignees, in accordance with  
12 the standards set by the DPWH, MMDA, or the LGU concerned. Should the grantee,  
13 its successors or assignees, after a ten (10)-day notice from the said authority, fail,  
14 refuse, or neglect to repair or replace any part of a public place, road, highway, street,  
15 lane, alley, avenue, sidewalk, or bridge altered, changed or disturbed by the grantee,  
16 its successors or assignees, then the DPWH, MMDA, or the LGU concerned shall  
17 have the right to have the same repaired or replaced in good order and condition and  
18 charge the grantee, its successors or assignees at double the amount of the costs and  
19 expenses for such repair or replacement.  
20

21           **SEC. 7. Responsibility to the Public.** – The grantee, its successors or  
22 assignees shall conform to the ethics of honest enterprise and shall provide water  
23 supply and sewerage services to its service area in a prudent, efficient, and  
24 satisfactory manner.  
25

26           For the public interest, as far as feasible and whenever required by the  
27 Regulatory Office, the grantee shall modify, improve, or change its facilities, pipelines,  
28 systems, and equipment for the purpose of providing efficient and reliable service at  
29 reasonable costs. The grantee shall charge reasonable and just fees for its services  
30 to all types of consumers and water users within its franchise area in accordance with  
31 Section 8 of this Act.  
32

33           The grantee, its successors or assignees, shall comply with environmental and  
34 sustainability standards, and shall work with the local government units to ensure safe  
35 and inclusive development.  
36

37           **SEC. 8. Setting Tariffs, Rates and Other Charges.** – The Regulatory Office,  
38 with the approval of MWSS Board of Trustees under the Concession Agreement, shall  
39 establish tariffs, rates and other charges which are fair and reasonable, and ensure  
40 economic viability and a fair return on investments.  
41

42           Tariffs, rates and charges shall be based on and consistent with a rate-setting  
43 methodology that the Regulatory Office shall, after due consultation with stakeholders,  
44 define and publish, taking into account the following:  
45

- 46           (a) reasonable and prudent capital and recurrent costs of providing the service  
47           including a reasonable rate of return on capital;
- 48           (b) efficiency of the service;
- 49           (c) incentives for enhancement of efficiency which shall not exceed the limitations  
50           applicable to public utilities;
- 51           (d) willingness to pay of the customers/consumers;

- 1 (e) equity considerations; and
- 2 (f) administrative simplicity.

3  
4 Tariffs, rates, and charges set by the Regulatory Office, as approved by the  
5 MWSS Board of Trustees under the Concession Agreement, shall be presumed valid  
6 and reasonable, unless declared otherwise in a proper administrative or judicial  
7 proceeding.

8  
9 **SEC. 9. *Protection of Consumer Interests.*** – The grantee shall establish a  
10 consumer desk that will handle consumer complaints and ensure adequate protection  
11 of consumer interests. The grantee shall act with dispatch on all complaints brought  
12 before it.

13 The grantee shall ensure that service interruptions shall be minimal and shall  
14 observe the standards imposed by the Regulatory Office

15  
16 **SEC. 10. *Election of Independent Directors*** – The Board of Directors of the  
17 grantee shall have independent directors constituting at least twenty percent (20%) of  
18 its total membership. These independent directors must be elected by a majority of all  
19 holders of the outstanding shares who are entitled to vote.

20  
21 An independent director is a person who, apart from shareholdings and fees  
22 received from the corporation, is independent of management and free from any  
23 business or other relationship which could, or could reasonably be perceived to,  
24 materially interfere with the exercise of independent judgment in carrying out the  
25 responsibilities as a director.

26  
27 **SEC. 11. *Right of the Government.*** – A special right is hereby reserved to the  
28 President of the Philippines, in times of war, rebellion, public peril, calamity,  
29 emergency, disaster, or disturbance of peace and order, to temporarily take over and  
30 operate the waterworks and sewerage system of the grantee; to temporarily suspend  
31 the operation of any portion thereof in the interest of public safety, security, and public  
32 welfare; or to authorize the temporary use and operation thereof by any agency of the  
33 government, upon due compensation to the grantee, for the use of said waterworks  
34 and sewerage system during the period when they shall be so operated.

35  
36 **SEC. 12. *Right of Eminent Domain.*** – Subject to the limitations and  
37 procedures prescribed by law, the grantee, its successors or assignees, is authorized  
38 to exercise the power of eminent domain insofar as it may be reasonably necessary  
39 for the efficient establishment, improvement, upgrading, rehabilitation, maintenance,  
40 and operation of services. The grantee is authorized to install and maintain its water  
41 pipelines and other facilities over, under, and across public property, including streets,  
42 highways, parks, and other similar property of the Government of the Philippines, its  
43 branches, or any of its instrumentalities. The grantee may acquire private property as  
44 is actually necessary for the realization of the purposes for which this franchise is  
45 granted, including pipelines, buildings, infrastructure, machineries, and equipment  
46 previously, currently, or actually used, or intended to be used, or have been  
47 abandoned, unused, or underutilized, or which obstructs its facilities, for the operation

1 of a waterworks and sewerage system for the conveyance of water supply and  
2 sewerage services to end-users in its service area: *Provided*, That expropriation  
3 proceedings before the proper court shall have been instituted and just compensation  
4 paid.

5  
6 **SEC. 13. *Term of the Franchise.*** — This franchise shall be for a term of twenty-  
7 five (25) years from the effectivity of this Act, unless sooner cancelled or revoked by  
8 Congress when the public interest so requires or when the grantee fails to reasonably  
9 comply with regulatory standards.

10  
11 **SEC. 14. *Acceptance and Compliance.*** — Acceptance of this franchise shall  
12 be given in writing to the Congress of the Philippines, through the Committee on  
13 Legislative Franchises of the House of Representatives and the Committee on Public  
14 Services of the Senate, within sixty (60) days from the effectivity of this Act. Upon  
15 giving such acceptance, the grantee, its successors or assignees, shall exercise the  
16 privileges granted under this Act. Nonacceptance shall render this franchise void.

17  
18 **SEC. 15. *Warranty in Favor of the National and Local Governments.*** — The  
19 grantee shall hold the national, provincial, city, and municipal governments of the  
20 Philippines free from all claims, liabilities, demands, or actions arising from accidents  
21 causing injury to persons or damage to properties, during the construction or operation  
22 of the waterworks and sewerage system facilities of the grantee.

23  
24 **SEC. 16. *Liability for Damages.*** — The grantee shall be liable for any injury  
25 to persons and damage to property caused by any accident arising from defective  
26 construction of infrastructure built pursuant to the operation of its business under this  
27 franchise, or by neglect or failure to keep its pipelines and other related facilities in  
28 safe condition.

29  
30 **SEC. 17. *Sale, Lease, Transfer, Grant of Usufruct, or Assignment of***  
31 ***Franchise.*** — The grantee shall not sell, lease, transfer, grant the usufruct of, nor  
32 assign this franchise or the rights and privileges acquired thereunder to any person,  
33 firm, company, corporation or other commercial or legal entity, nor merge with any  
34 other corporation or entity, nor transfer the controlling interest of the grantee, whether  
35 simultaneously or contemporaneously, to any person, firm, company, corporation, or  
36 entity without the prior approval of the Congress of the Philippines and compliance  
37 with legal requirements stipulated in other statutes: *Provided*, that the foregoing  
38 limitations shall not apply to any: (1) transfer or issuance of shares of stock in the  
39 implementation of requirements for the dispersal of the grantee's ownership pursuant  
40 to Section 19 of this Act; (2) transfer or sale of shares of stock to an investor or  
41 investors; (3) issuance of shares of stock to any investor out of the unissued authorized  
42 capital stock of the grantee or pursuant to or in connection with any increase in the  
43 grantee's authorized capital stock which shall result in the dilution of the stockholdings  
44 of the grantee's then existing stockholders; (4) combination thereof where such  
45 transfer, sale, or issuance is effected in order to enable the grantee to raise the  
46 necessary capital or financing for the provision of any of the services authorized by  
47 this Act or carry out any of the purposes for which the grantee has been incorporated  
48 or organized; (5) sale, transfer or assignment by the stockholders of the grantee in  
49 favor of a holding company, the controlling stockholders of which are the same  
50 controlling stockholders of the grantee: *Provided, further*, that any such transfer, sale,  
51 or issuance is in accordance with any applicable constitutional limitation: *Provided*,

1 *finally*, that Congress shall be informed of any sale, lease, transfer, grant of usufruct,  
2 or assignment of franchise or the rights and privileges acquired thereunder, or of the  
3 merger or transfer of the controlling interest of the grantee, within sixty (60) days after  
4 the completion of the said transaction. The failure to report to Congress such change  
5 of ownership shall render the franchise *ipso facto* revoked. Any person or entity to  
6 which this franchise is sold, transferred, or assigned shall be subject to the same  
7 conditions, terms, restrictions, and limitations of this Act.  
8

9 **SEC. 18. *Dispersal of ownership.*** — In accordance with the constitutional  
10 provision to encourage public participation in public utilities, the grantee shall, offer to  
11 Filipino citizens at least twenty percent (20%) of its outstanding capital stock, or such  
12 other percentage that may hereafter be required by law, in any securities exchange  
13 in the Philippines within five (5) years from the effectivity of this Act.  
14

15 In the event the required dispersal of ownership is not implemented within five  
16 (5) years, the holdings of persons, natural or juridical, including directors, officers,  
17 stockholders, and related interests in the grantee and its respective holding company,  
18 if any, shall not exceed twenty-five percent (25%) of the voting shares of stock unless  
19 the grantee or the company holding the shares of the grantee or its controlling  
20 stockholders (direct or indirect) are already listed in the Philippine Stock Exchange.  
21 Non-compliance therewith shall render the franchise *ipso facto* revoked.  
22

23 **SEC. 19. *Information Dissemination.*** — An information dissemination  
24 campaign regarding public services and operations of the grantee, as well as the  
25 general provisions of the franchise including its term, shall be made known to all end-  
26 users in the Franchise Area.  
27

28 **SEC. 20. *Reportorial Requirement.*** — The grantee shall submit an annual  
29 report on its compliance with the terms and conditions of the franchise and on its  
30 operations to the Congress of the Philippines, through the Committee on Legislative  
31 Franchises of the House of Representatives and the Committee on Public Services of  
32 the Senate, on or before April 30 of every year during the term of its franchise.  
33

34 The annual report shall include an update on the development, operation, and  
35 expansion of business; audited financial statements; latest GIS officially submitted to  
36 the SEC, if applicable; certification of the Regulatory Office on the status of its permits  
37 and operations; and an update on its dispersal of ownership required under Section  
38 18.  
39

40 The Regulatory Office shall, one (1) year from the grant of this franchise, and  
41 every five (5) years thereafter, conduct a comprehensive assessment of the grantee's  
42 operations and compliance with the conditions imposed hereunder and submit a report  
43 thereof to Congress. The grantee shall transmit to the Regulatory Office all information  
44 and documents necessary to complete such assessment.  
45

46 **SEC. 21. *Fine.*** — Failure of the grantee to submit the requisite annual report to  
47 Congress shall be penalized by a fine of Five hundred pesos (P500.00) for each  
48 working day of noncompliance. The fine shall be collected separately from the  
49 reportorial penalties imposed by the Regulatory Office and it shall be remitted to the  
50 Bureau of the Treasury.  
51

52 **SEC. 22. *Equality Clause.*** — Any advantage, favor, privilege, exemption, or  
53 immunity granted under existing franchises, or which may hereafter be granted for  
7

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

6  
7 **SEC. 23. *Applicability of Existing Laws.*** — The grantee shall comply with  
8 and be subject to the provisions of Commonwealth Act No. 146, or the "Public Service  
9 Act," as amended, and other pertinent laws relating to the operation of its business.

10  
11 **SEC. 24. *Repealability and Nonexclusivity Clause.*** — This franchise shall  
12 be subject to amendment, alteration, or repeal by Congress when public interest so  
13 requires and shall not be interpreted as an exclusive grant of the privileges herein  
14 provided for.

15  
16 **SEC. 25. *Separability Clause.*** — If any of the sections or provisions of this Act  
17 is held invalid, all other provisions not affected thereby shall remain valid.

18  
19 **SEC. 26. *Repealing Clause.*** — All laws, decrees, orders, resolutions,  
20 instructions, rules and regulations, and other issuances or parts thereof which are  
21 inconsistent with the provisions of this Act are hereby repealed, amended, or modified  
22 accordingly.

23  
24 **SEC. 27. *Effectivity.*** — This Act shall take effect fifteen (15) days after its  
25 publication in the *Official Gazette* or in any newspaper of general circulation.

26  
27 Approved,