



HOUSE OF REPRESENTATIVES

H. No. 5491

BY REPRESENTATIVES DUAVIT, MENDOZA, DY (F.), VALERIANO, ACOSTA, VILLAFUERTE, UNABIA, PINEDA, SAVELLANO, GARBIN, VARGAS, GULLAS, DY (F.M.C.), OAMINAL, ROMUALDO AND ALVAREZ (F.), PER COMMITTEE REPORT NO. 78

AN ACT RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO CRUZ TELEPHONE COMPANY, INC. UNDER REPUBLIC ACT NO. 7961, ENTITLED "AN ACT GRANTING TO CRUZ TELEPHONE COMPANY, INC. (CRUZTELCO), A FRANCHISE TO INSTALL, OPERATE, AND MAINTAIN A TELECOMMUNICATIONS SYSTEM THROUGHOUT THE PHILIPPINES"

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, the franchise granted to Cruz Telephone Company,
4 Inc., hereunder referred to as the grantee, its successors or
5 assignees, to construct, install, establish, operate, and maintain for
6 commercial purposes and in the public interest, in the Philippines
7 and between the Philippines and other countries and territories,
8 wire and/or wireless telecommunications system including mobile
9 cellular, copper, fiber optics, satellite transmit and receive systems,

1 switches and their value-added services such as the transmission of
2 voice, data, facsimile, control signs, audio and video, information
3 services and all other telecommunications system technologies as
4 are at present available or will be made available through
5 technological advances or innovations in the future; or construct,
6 acquire, lease, and operate, or manage transmitting and receiving
7 stations, lines, cables, or systems as are convenient or essential to
8 efficiently carry out the purpose of this franchise, is hereby renewed
9 for another twenty-five (25) years from the effectivity of this Act.

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

19 SEC. 3. *Authority of the National Telecommunications*
20 *Commission.* – The grantee shall secure from the National
21 Telecommunications Commission (NTC) a Certificate of Public
22 Convenience and Necessity or the appropriate permits and licenses
23 for the construction, installation and operation of its
24 telecommunications systems or facilities. In issuing the certificate,
25 the NTC shall have the power to regulate and impose such
26 conditions relative to the construction, operation, maintenance, or
27 service level of the telecommunications systems or facilities. Such

1 certificate shall state the areas covered and the date the grantee
2 shall commence the service. The grantee shall not use any
3 frequency in the radio spectrum without authorization from the
4 NTC. The NTC, however, shall not unreasonably withhold or delay
5 the grant of such authority, permit or license.

6 SEC. 4. *Excavation and Restoration Works.* – For the
7 purpose of erecting and maintaining poles or other supports for said
8 wires or other conductors for the purpose of laying and maintaining
9 underground wires, cables, or other conductors, it shall be lawful for
10 the grantee, its successors or assignees, with the prior approval of
11 the Department of Public Works and Highways (DPWH) or the local
12 government unit (LGU) concerned, as may be appropriate, to make
13 excavations or lay conduits in any of the public places, roads,
14 highways, streets, lanes, alleys, avenues, sidewalks, or bridges of
15 the province, cities, or municipalities: *Provided, however,* That a
16 public place, road, highway, street, lane, alley, avenue, sidewalk, or
17 bridge disturbed, altered, or changed by reason of erection of poles
18 or other supports or the underground laying of wires, other
19 conductors or conduits, shall be repaired and replaced in
20 workmanlike manner by said grantee, its successors or assignees, in
21 accordance with the standards set by the DPWH or the LGU
22 concerned. Should the grantee, its successors or assignees, after the
23 ten (10)-day notice from the said authority, fail, refuse, or neglect to
24 repair or replace any part of public place, road, highway, street,
25 lane, alley, avenue, sidewalk, or bridge altered, changed or
26 disturbed by the said grantee, its successors or assignees, then the
27 DPWH or the LGU concerned shall have the right to have the same

1 repaired and placed in good order and condition, and charge the
2 grantee, its successors or assignees at double the amount of the
3 costs and expenses for such repair or replacement.

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

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

15 The grantee shall improve and extend its services in areas
16 not yet served, and in hazard- and typhoon-prone areas that shall
17 be determined by the National Disaster Risk Reduction and
18 Management Council, or its legal successor, in coordination with
19 the NTC.

20 The grantee shall also improve and upgrade its equipment,
21 facilities and services, in order to ensure effective compliance with
22 the objectives of Republic Act No. 10639 or “The Free Mobile
23 Disaster Alerts Act”.

24 SEC. 6. *Rates for Services.* – The charges and rates for
25 telecommunications services of the grantee, except the rates and
26 charges on those that may hereafter be declared or considered as
27 nonregulated services, whether flat rates or measured rates or

1 variation thereof, shall be subject to the approval of the NTC or its
2 legal successor.

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

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

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

23 SEC. 9. *Right of Interconnection.* – The grantee is hereby
24 authorized to connect or demand connection of its
25 telecommunications systems to other telecommunications systems
26 installed, operated, and maintained by any other duly authorized
27 person or entity in the Philippines for the purpose of providing

1 extended and improved telecommunications services to the public,
2 under the terms and conditions mutually agreed upon by the parties
3 concerned. This right shall be subject to review and modification by
4 the NTC.

5 SEC. 10. *Mobile Number Portability.* – The grantee shall
6 provide mobile number portability (MNP) and its implementing
7 mechanism, and shall interconnect, directly or indirectly, with the
8 infrastructure, facilities, systems, or equipment of other
9 telecommunications franchise grantees. It shall not install network
10 features, functions, or capabilities that will impede the
11 implementation of a nationwide MNP system. The NTC shall issue
12 rules and regulations for this purpose, the effectivity of which shall
13 commence upon applicability with other telecommunications
14 franchise grantees.

15 SEC. 11. *Warranty in Favor of the National and Local*
16 *Governments.* – The grantee shall hold the national, provincial,
17 city, and municipal governments of the Philippines free from all
18 claims, liabilities, accounts, demands, or actions arising out of
19 accidents causing injury to persons or damage to properties, during
20 the construction or operation of the stations, transmitters, facilities,
21 or equipment of the grantee.

22 SEC. 12. *Sale, Lease, Transfer, Grant of Usufruct, or*
23 *Assignment of Franchise.* – The grantee shall not sell, lease,
24 transfer, grant the usufruct of, nor assign this franchise or the
25 rights and privileges acquired thereunder to any person, firm,
26 company, corporation, or other commercial or legal entity, nor
27 merge with any other corporation or entity, nor the controlling

1 interest of the grantee be transferred, simultaneously or
2 contemporaneously, to any person, firm, company, corporation, or
3 entity without the prior approval of the Congress of the Philippines.
4 Congress shall be informed of any sale, lease, transfer, grant of
5 usufruct, or assignment of franchise or the rights and privileges
6 acquired thereunder, or of the merger or transfer of the controlling
7 interest of the grantee, within sixty (60) days after the completion of
8 the said transaction. Failure to report to Congress such change of
9 ownership shall render the franchise *ipso facto* revoked. Any person
10 or entity to which this franchise is sold, transferred, or assigned
11 shall be subject to the same conditions, terms, restrictions, and
12 limitations of this Act.

13 SEC. 13. *Dispersal of Ownership.* – In accordance with the
14 constitutional provision to encourage public participation in public
15 utilities, the grantee shall continue to offer to Filipino citizens at
16 least thirty percent (30%) or a higher percentage that may hereafter
17 be provided by law of its common stocks in any securities exchange
18 in the Philippines within five (5) years from the renewal of its
19 franchise: *Provided*, That in cases where public offer of shares is
20 not applicable, other methods of encouraging public participation by
21 citizens and corporations operating public utilities must be
22 implemented. Noncompliance therewith shall render the franchise
23 *ipso facto* revoked.

24 SEC. 14. *Commitment to Provide and Promote the Creation of*
25 *Employment Opportunities.* – The grantee shall create employment
26 opportunities and shall allow on-the-job trainings in their franchise
27 operation: *Provided*, That priority shall be accorded to the residents

1 of the place where their principal office is located: *Provided, further,*
2 That the grantee shall follow the applicable labor standards and
3 allowance entitlement under existing labor laws, rules and
4 regulations and similar issuances: *Provided, finally,* That the
5 employment opportunities or jobs created shall be reflected in the
6 General Information Sheet (GIS) to be submitted to the Securities
7 and Exchange Commission (SEC) annually.

8 SEC. 15. *Reportorial Requirement.* – The grantee shall
9 submit an annual report to the Congress of the Philippines,
10 through the Committee on Legislative Franchises of the House
11 of Representatives and the Committee on Public Services of the
12 Senate, on its compliance with the terms and conditions of the
13 franchise and on its operations on or before April 30 of every year
14 during the term of its franchise.

15 The annual report shall include an update on the roll-out,
16 development, operation and/or expansion of business; audited
17 financial statements; latest GIS officially submitted to the SEC, if
18 applicable; certification of the NTC on the status of its permits and
19 operations; and an update on the dispersal of ownership
20 undertaking, if applicable.

21 The reportorial compliance certificate issued by Congress
22 shall be required before any application for permit or certificate is
23 accepted by the NTC.

24 SEC. 16. *Fine.* – Failure of the grantee to submit the
25 requisite annual report to Congress shall be penalized with a fine
26 in the amount of One million pesos (P1,000,000.00) per working day
27 of noncompliance, the effectivity of which shall commence upon

1 applicability with other telecommunications franchise grantees:
2 *Provided*, That in the interim, the grantee shall be liable to pay the
3 fine of Five hundred pesos (P500.00) per working day of
4 noncompliance. The fine shall be collected by the NTC from the
5 delinquent franchise grantee separate from the reportorial penalties
6 imposed by the NTC, and the same shall be remitted to the Bureau
7 of Treasury.

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

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

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

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

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

Approved,

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