

**Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City**

**SEVENTEENTH CONGRESS
First Regular Session**

HOUSE BILL No. 2617

**Introduced by Representative Reynaldo V. Umali
of the 2nd District of Mindoro**

**AN ACT RENEWING AND AMENDING THE FRANCHISE GRANTED TO
INNOVE COMMUNICATIONS, INC. (FORMERLY "ISLA
COMMUNICATIONS, CO.") UNDER REPUBLIC ACT NO. 7372**

EXPLANATORY NOTE

The proposed law seeks to extend Innove Communications Inc.'s (formerly "*Isla Communications Company, Inc.*"; hereinafter "*Innove*") legislative franchise for another twenty-five (25) years.

Innove is a corporation organized and existing under the laws of Republic of the Philippines, and one hundred percent (100%) owned and controlled by Globe Telecom Inc. Innove holds its principal office is located at The Globe Tower - Cebu, Samar Loop corner Pasay Road, Cebu Business Park, 6000 Cebu City; and its office address is located at The Globe Tower, 32nd Street corner 7th Avenue, Bonifacio Global City, Taguig, Metro Manila.

Innove provides wireless mobile, wireline, data and corporate communications solutions to households and corporate clients under the Globe Group of Companies. It provides mobile and fixed-line telecommunications, internet, broadband and convergent services, networks for enterprise clients, services for internal applications, internet protocol based solutions and multimedia content delivery. It also offers wireline voice services, which offers homes and businesses access to advanced telecommunications functions and features; and wireline data services, which provides business customers high-speed data services over a nationwide broadband network.

The National Telecommunications Commission (NTC), in a Certificate of Public Convenience and Necessity (CPCN), granted Innove with the authority to operate Local Exchange Carrier (LEC) Prepaid Services, International Gateway Facility (IGF), Cellular Mobile Telecommunications System (CMTS).

To date, Innove serves a total of not less than 18,500,000 subscribers in pre-paid mobile, fixed-line, data and corporate telecom services. Subscribers include

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TIME:	1:21 PM
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regular consumers, Top 7,000 companies in the Philippines, Small and Medium Enterprise (SMEs), and embassies and consulates located in the Philippines.

Since its incorporation, Innove has transformed itself the franchise holder under the Globe Group providing fixed line, data and corporate services doing business under the brands, "Innove", "TM", "Globelines", "Globe Broadband", "Tattoo", "GoWiFi", to name a few.

Innove's franchise will expire on 23 March 2017. The extension thereof will allow Innove to continue providing various telecommunications services throughout the Philippines and between the Philippines and other countries and territories at rates affordable to the consuming public.

The immediate passage of the measure, which will amend and extend Republic Act No. 7372 will be, in essence, in recognition of Innove's contribution in nation-building. Over the years, Innove has been aggressively rolling out its wired and wireless network throughout the country. Innove was able to prove its financial and technical capability to operate and maintain a vast telecommunications network. Innove has dutifully complied with the existing Service Performance Standards, Outside Plant Standards, Technical Standards on Transmission, Signalling, Routing, Numbering, Changing and Synchronization and such other standards, rules and regulations of the NTC.

Extending Innove's franchise will also ensure the uninterrupted and improved delivery of its services to the Filipino people. The extended franchise will allow Innove to construct, establish, install, maintain, lease, co-use, purchase and operate the corresponding transmitting and receiving stations, satellites, lines, systems, networks, international gateways, local exchanges, and platforms as it may consider necessary and convenient, or reasonable.

It is to the best interest of the State and public that Innove's franchise be extended.

The immediate passage of the proposed law is earnestly sought.



HON. REYNALDO V. UMALI
2nd District Oriental Mindoro

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*Be it enacted by the Senate and the House of Representatives of the Philippines
in Congress assembled:*

SECTION 1. Republic Act No. 7372 is hereby amended to read as follows:

"Section 1. *Nature and Scope of Franchise.* - Subject to the conditions established in this Act and the provisions of the Constitution and the provisions of laws, orders or issuances not inconsistent herewith, there is hereby granted to the Innove Communications Inc. [formerly "Isla Communications Co. (ISLACOM)], its successors or assigns the right, privilege and authority to construct, establish, install, lease, co-use, purchase, operate and maintain all types of mobile and fixed wireless telecommunications, including cellular telephone system, broadband and internet services (such as but not limited to the transmission and reception of voice, data transmission, message service/messaging, electronic mail, data facsimile, audio and video, and all other improvements and innovations and convergence of services pertaining to or as may be applicable to mobile telecommunications technology) and use all the apparatus, conduits, appliances, receivers, transmitters, antennas, satellites and equipment necessary for the transmission/reception of data, messages, videos and signals, with the corresponding technological auxiliaries, facilities, distribution or relay stations, throughout the Philippines, as well as multi-channel microwave, fiber optic and satellite distribution systems that may be required for the purpose of linking together said mobile, fixed or convergent telecommunications network internally and externally to other mobile telecommunications network and traditional wireline telephone systems, whether domestic or international, whether directly or indirectly, through networks and, generally, to provide by means of this telecommunications system a telephone service and such other telecommunications services such as there may be demand for in the Philippines.

There is hereby granted to the grantee, its successors or assigns, a franchise to engage in telecommunications services by installing, maintaining and operating telecommunications plants, exchanges, nationwide and/or regional transmission (backbone) network; terrestrial and microwave systems, lines, instruments, landlines; international and domestic undersea cables, stations, apparatus,

telephone services; long distance toll services; international gateway facilities/services; traditional wireline telephone systems, whether domestic or international, whether directly or indirectly through, networks; public calling offices (payphones); station or stations and associated equipment and facilities for international satellite communications, such ground facilities as needed to deliver telecommunications services from the communications satellite system and ground terminal or terminals and such ground facilities shall not duplicate existing facilities of domestic common carriers and grantee shall operate as a carrier's carrier; any and all types of telecommunications services available through the use of space relay and repeater stations for domestic public communications with authority to receive and transmit messages, impression, pictures, music, entertainment, advertising and signal throughout the Philippines and between the Philippines and ships at sea, airplanes and other conveyances; any and all kinds of equipment or maintenances for communications and the transmission of messages, data, video, pictures, impressions and signals; or any other means which hereafter be used for communications in their stead; and to install, maintain, operate or lease, in whole or in part, telephone lines and systems and all other systems and lines of communications, within the territory of the Philippines and with other countries and territories.

The grantee is authorized to carry on the business of providing to the public telecommunications services within the territory of the Republic of the Philippines and other countries and territories and, for the purpose of providing said telecommunications services, to construct, own and operate telecommunications system in and between provinces, cities and municipalities of the Republic of the Philippines and to lay, place and operate and maintain telecommunications lines in and between the territory of the Republic of the Philippines and other countries, including the construction, operation and maintenance of an international digital gateway facility, and to construct, maintain and operate and use all telecommunications apparatus necessary for the provision of telecommunications services and to install, construct and maintain telecommunications apparatus in, on, over, or under the public roads, government rights-of-way, lands bridges, rivers, waters, streets, lanes and sidewalks of said provinces, cities and municipalities, and to lay submarine telecommunications cables in the surrounding waters of the Philippines and for the purpose of connecting its telecommunications systems with other telecommunications systems operated by others within the Philippines and with the telecommunications systems of other countries, as may be necessary and best adapted to said provision of telecommunications services, and to connect and keep connected its telecommunications system to other telecommunications systems for the interconnection of telecommunications services within the territory of the Republic of the Philippines and between the Republic of the Philippines and other countries and territories.

Section 2. *Manner of Operation of Stations or Facilities.* – The stations or facilities of the grantee shall be constructed and operated in a manner as will, at most, result only in the minimum interference on the wavelengths or frequencies of existing stations

or other stations which may be established by law, without in any way diminishing its own privilege to use its assigned wavelengths or frequencies and the quality of transmission or reception thereon as should maximize rendition of the grantee's services and/or availability thereof.

Section 3. *Right of Government.* - The President of the Philippines, in times of war, rebellion, public peril, calamity, emergency, disaster or disturbance of peace and order, may temporarily take over and operate the stations, transmitter systems, facilities and equipment of the grantee, temporarily suspend the operation of any station in the interest of public safety, security and public welfare, or authorize the temporary use and operation thereof by any agency of the Government, upon due compensations to the grantee, for the use of said stations, transmitter systems, facilities and equipment during the period when they shall so operated.

The radio spectrum is a finite resource that is part of the national patrimony and the use thereof is a privilege conferred upon the grantee by the State and may be withdrawn anytime after due process.

Section 4. *Authority of the National Telecommunications Commission (NTC).* - The grantee shall not exercise any right or privilege under this franchise without first having obtained such certificate of public convenience and necessity and such other permits or licenses from the National Telecommunications Commission. This franchise shall not take effect nor shall any power be exercised by the grantee until the National Telecommunications Commission shall have allotted to the grantee the frequencies and wavelengths to be used and determined the stations to and from which each frequency and wavelength may be used, and issued to the grantee a license for such use. The National Telecommunications Commission, however, shall not unreasonably withhold or delay the grant of any such authority, permits or licenses.

The grantee may install, operate and maintain radio telecommunications system to provide a telephone service and other telecommunications services including mobile services within the territory of the Republic of the Philippines and between the Republic of the Philippines and ships at sea, aircraft in the air, and the telecommunications systems of other countries: provided, that the location, installation or operation of any such radio telecommunications system must be previously approved by the National Telecommunications Commission: provided, that the location, installation or operation of any such radio telecommunications system must be previously approved by the National Telecommunications Commission: *Provided*, further, that the National Telecommunications Commission shall have the authority to supervise and regulate the installation or operation of such radio telecommunications system.

“Section 5. *Right of Way.* - Notwithstanding any provision of law to the contrary and for the purpose of installing, operating and maintaining its telecommunications network, radio equipment, antennas, cables, lines and posts, the grantee, its successors and

assigns shall have a permanent utility right of way to make excavations, install posts or lay conduits in any of the public places, highways, streets, lanes, alleys, avenues, sidewalks, bridges of provinces, cities and municipalities: provided, however, that any public place, highway, street, lane, alley, avenue, sidewalk or bridge disturbed, altered or changed by reason of the installation, operation and maintenance of said telecommunications lines underground shall be repaired and replaced in a workmanlike manner by said grantee, its successors or assigns to the satisfaction of the National Telecommunications Commission. Should the grantee, its successors or assigns, after thirty (30) days notice from the proper authority, fail, refuse or neglect to repair or replace any part of a public place, road, highway, street, lane, alley, avenue, sidewalk or bridge altered, changed or disturbed by said grantee, its successors or assigns, then the Secretary of the Department of Information and Communications Technology shall have the right to have the same repaired and placed in good order and condition at the cost and expense of the grantee, its successors and assigns.

"Section 6. *Term* - This franchise shall be for a term of twenty-five (25) years from the date of effectivity of this Act, unless sooner revoked or cancelled.

"Section 7. *Acceptance and Compliance*. - Acceptance of this franchise shall be given in writing to the Congress of the Philippines, through the Committee on Legislative Franchises of the House of Representatives and the Committee on Public Services of the Senate, within sixty (60) days after the effectivity of this Act. Upon receipt such acceptance in writing, the grantee shall exercise the privileges granted under this Act. Non-acceptance shall render the franchise void.

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

All telecommunications systems owned, operated or maintained by the grantee, its successors or assigns shall be maintained and operated at all times in a satisfactory manner, and it shall be the further duty of said guarantee, its successors or assigns, whenever required to do so by the National Telecommunications Commission, to modify, improve and change such telecommunications systems in such manner and to such extent as the progress of science and improvements in the method of conveyance of telecommunications messages by means of said systems may make reasonable, proper and economically feasible.

"Section 9. *Gross Receipts*. - The grantee, its successors or assigns shall keep a separate account of the gross receipts of the telecommunications service business transacted by it and shall furnish the Commission on Audit and the National Treasurer a copy of such account not later than the thirty-first day of January of each year for the preceding twelve (12) months.

"Section 10. Eminent Domain.- Subject to the limitations and procedures prescribed by law, the grantee is authorized to exercise the right of eminent domain insofar as may be reasonably necessary to further the establishment and efficient maintenance and operation of its telecommunications systems.

No private property shall be taken for any purpose by the grantee without proper condemnation proceedings and just compensation paid or tendered therefore, and any authority to take and occupy land contained herein shall not apply to the taking, use or occupation of any land except such as is required for the actual and necessary purposes for which this franchise is granted.

"Section 11. Tax Provisions. - The grantee, its successors or assigns shall be liable to pay the same taxes on their real estate, buildings and personal property, as other persons or corporations are now or hereafter may be required by law to pay except radio equipment, machinery, spare parts, buildings and structures, needed in connection with the business of the grantee and such realties which are actually, directly and exclusively used in the operation of its franchise. These radio equipment, machinery, spare parts, buildings and structures as mentioned, shall be exempt from real property taxes, customs duties, tariffs and other taxes and fees, as well as those declared exempt under this section.

In order to promote the local industry and the further development of telecommunications in the Philippines, equipment for all types of mobile and fixed wireless telecommunications which are manufactured or assembled in the Philippines, with Filipino labor or materials shall be exempted from all taxes from the date this Act becomes in force and effect.

In addition thereto, the grantee, its successors or assigns shall pay 10% Value Added Tax under Republic Act No. 7716 and shall continue to be liable for income taxes payable under Title II of the National Internal Revenue Code pursuant to Sec. 2 of Executive Order No. 72 unless the latter enactment is amended or repealed, in which case the amendment or repeal shall be applicable thereto.

The grantee shall file the return with and pay the tax due thereon to the Commissioner of Internal Revenue or his duly authorized representative in accordance with the National Internal Revenue Code. The return shall be subject to audit by the Bureau of Internal Revenue.

"Section 12. Rates for Services. - The rates for the telephone service or changes for every type of call, flat rates as well as measured rates, are subject to the approval of the National Telecommunications Commission.

"Section 13. Right of Interconnection. - The grantee is hereby authorized to connect or demand connection of its telecommunications systems to any other telecommunications systems installed, operated and maintained by any other duly authorized person or entity in the Philippines for the purpose of providing telecommunications services to the public on such terms and conditions as may be prescribed from time to time by the

"Section 14. Books and Accounts. - The books and accounts of the grantee, its successors or assigns shall always be open to the inspection of the Commissioner on Audit or his authorized representatives, and it shall be the duty of the grantee to submit to the commission on audit quarterly reports in duplicate showing the gross receipts and the net receipts for the past quarter and the general condition of the business.

"Section 15. Non-exclusivity. - The rights herein granted shall not be exclusive, and the rights and power to grant to any corporation, association, or person other than the grantee a franchise for the provision of telephone service or the installation, operation and maintenance of a telecommunications system shall not be impaired or affected by the granting of this franchise: provided, that the telecommunications lines installed by virtue of any franchise for the provision of a telecommunications service of the installation, operation and maintenance of a telecommunications systems grant subsequent to this franchise shall be so placed as not to impair the efficient and effective operation of the telecommunications system installed under this franchise and actually in existence at the time of the granting of said subsequent franchise: provided, further, that the National Telecommunications Commission after hearing both parties interested may compel the grantee of this franchise or its successors or assigns to remove, relocate or replace their telecommunications lines but in such case the reasonable cost of the removal, relocation or replacement shall be paid by the grantee of the subsequent franchise or his successors or assigns to the grantee of this franchise or its successors or assigns.

"Section 16. Warranty in Favor of the National and Local Governments. - The grantee shall hold the national, provincial, city, and municipal governments of the Philippines free from all claims, accounts, demands, or actions arising out of accidents or injuries, whether to property or to persons, caused by the construction or operation of the stations, transmitters, facilities, or equipment of the grantee.

"Section 17. Sale, Lease, Transfer, Usufruct, or Assignment of Franchise. - The grantee shall not lease, transfer, grant the usufruct of, sell or assign this franchise or the rights and privileges acquired thereunder to any person, firm, company, corporation or entity, nor merge with any other corporation or entity nor shall the controlling interest in the grantee be transferred, whether as a whole or in parts and whether simultaneously or contemporaneously, to any such person, firm, company, corporation or entity without the prior approval of the Congress of the Philippines, except (a) when such person, firm, company, corporation or entity has a valid and existing legislative franchise for telecommunications; or (b) where the grantee is the surviving corporation; *Provided also*, That the foregoing limitations shall not apply to: (1) any transfer or issuance of shares of stock in the implementation of the requirement for the dispersal of the grantee's ownership pursuant to Section 18 of this Act; (2) any transfer or sale of shares of stock to a foreign investor or investors; (3) any issuance of shares to any foreign or local investors pursuant to or in

connection with any increase in the grantee's authorized capital stock which results in the dilution of the stockholdings of the grantee's then existing stockholders; (4) any combination thereof where such transfer, sale or issuance is effected in order to enable the grantee to raise the necessary capital or financing for the provision of the services for which the grantee has been incorporated or organized: *Provided further*, That any such transfer, sale or issuance is in accordance with any applicable constitutional limitations. Any person or entity to which this franchise is validly sold, transferred or assigned shall be subject to all the same conditions, terms, restrictions and limitations of this Act.

"Section 18. *Dispersal of Ownership*. - In accordance with the constitutional mandate to encourage public participation in utilities, the herein grantee shall comply with the enabling law implementing the democratization of ownership of public utilities.

"Section 19. *Contract with Private Entities*. - The grantee is authorized to contract the installation and operation of the telecommunications system which is the subject of this grant, with entities with expertise in the field of telecommunications under such terms and conditions as may be approved by the National Telecommunications Commission.

"Section 20. *Reportorial Requirements*. - The grantee shall submit an annual report to the Congress of the Philippines, through the Committee on Legislative Franchises of the House of Representatives and the Committee on Public Services of the Senate, on its compliance with the terms and conditions of the franchise and on its operations on or before April 30 of every year during the term of its franchise. The reportorial compliance certificate issued by Congress shall be required before any application for permit or certificate is accepted by the National Telecommunications Commission.

Failure of the grantee to submit the requisite annual report to Congress shall be penalized with a fine in the amount of Five Hundred Pesos (Php500) per working day of noncompliance. The fine shall be collected by the National Telecommunications Commission from delinquent franchise grantee separate from the reportorial penalties imposed by the National Telecommunications Commission.

"Section 21. *Equality Clause*. - Any advantage, favor, privilege, exemption, or immunity granted under other existing franchises, or which may hereafter be granted shall, *ipso facto*, become part of this franchise and shall be accorded immediately and unconditionally to the herein grantee: *Provided*, That the foregoing shall neither apply to nor affect provisions of telecommunications franchises concerning territory covered by the franchise, the life span of the franchise or the type of service authorized by the franchise.

"Section 22. *Repealability*. - This franchise is granted with the understanding and upon the condition that it shall be subject to amendment, alteration or repeal by the Congress of the Philippines

when the public interest and common good so require.

"Section 23. *Separability Clause*. - If any of the sections or provisions of this Act is held invalid, all other provisions not affected thereby shall remain valid."

Section 2. *Renewal/Extension of Franchise*. - The term of the franchise granted under Republic Act No. 7372, is hereby renewed/extended to another twenty-five (25) years from the date of its expiration. This franchise shall be deemed *ipso facto* revoked in the event the grantee fails to operate continuously for two (2) years.

Section 3. All the other provisions, terms and conditions contained in Republic Act No. 7372 which are inconsistent herewith are hereby repealed.

Section 4. *Effectivity Clause*. - This Act shall take effect fifteen (15) days from the date of its publication, upon the initiative of the grantee, in at least two (2) newspapers of general circulation in the Philippines.