

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 5929



Introduced by HON. PRINCESS RIHAN M. SAKALURAN

EXPLANATORY NOTE

As enshrined in the Constitution, the State recognizes the vital role of communication and information in nation-building and the indispensable role of the private sector.

This bill seeks to renew the franchise granted to Sultan Kudarat Telephone System, Inc. for another twenty five (25) years.


Sultan Kudarat Telephone System, Inc. is a 100% Filipino-owned corporation established in 1994. Its primary purpose is to construct, install, operate and maintain a Provincial telephone network a community antenna television system, TV cabled operation, through the broadcast, of quality television programs, television and radio broadcast station systems and services in the Province of Sultan Kudarat and a telephone system through voice, facsimile and data transmission in all of its municipalities and in such other areas as may be permitted by law or by the appropriate government agencies alone or in joint venture with the government or any of its political subdivision or any person, firm or corporation and to acquire from the government or any of its political subdivision of from persons, the necessary franchise, permits, privilege, right, interest, grant, license or certificate of Public Convenience.

Republic Act No. 8637 granted Sultan Kudarat Telephone System, Inc. to construct, establish, install, maintain and operate local exchange network in the province of Sultan Kudarat.

At present, the SKTSI is operating in five (5) exchanges: Tacurong City, Isulan, Esperanza, Lebak and Kalamansig in Sultan Kudarat, which provides and serves global access for the general public through the latest telecommunications technology, advanced data and broadband facilities, and focuses its operation more on remote localities within its franchise area.

Technological advances in telecommunications had been growing rapidly over the past two decades and will continue to evolve in the coming years. Sultan Kudarat Telephone System, Inc.'s operations contributed a big part on the economic growth of the province. The SKTSI is pursuing its goal of delivering excellent service of communication and information adding substantially to the modernization and development of its area of operations. To be able to continue this responsibility, the SKTSI needs its franchise to be renewed by Congress.

Hence, the approval of this bill is earnestly and immediately sought.


HON. PRINCESS RIHAN M. SAKALURAN
Representative, 1st District - Sultan Kudarat

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CONGRESS OF THE PHILIPPINES
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House Bill No. _____

Introduced by: PRINCESS RIHAN M. SAKALURAN

AN ACT

RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO SULTAN KUDARAT TELEPHONE SYSTEM, INC. UNDER REPUBLIC ACT NO. 8637, ENTITLED "AN ACT GRANTING THE SULTAN KUDARAT TELEPHONE SYSTEM, INC. A FRANCHISE TO CONSTRUCT, ESTABLISH, INSTALL, MAINTAIN AND OPERATE LOCAL EXCHANGE NETWORK IN THE PROVINCE OF SULTAN KUDARAT"

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

SECTION 1. *Nature and Scope of Franchise.* – Subject to the provisions of the Constitution and applicable laws, rules and regulations, the franchise granted to Sultan Kudarat Telephone System, Inc. (SKTSI), hereunder referred to as the grantee, its successors or assignees, to establish, construct, maintain, operate, own, manage, lease and purchase for commercial purposes and in the public interest in the Province of Sultan Kudarat, Philippines, station or stations, telecommunication systems, terminal stations, lines, cables or systems, and associated equipment and facilities for domestic communications including satellite transmissions, for any and all forms or types of telecommunications services with authority to receive and transmit messages, facsimile, impressions, pictures, music, data, and voice, is hereby extended for twenty-five (25) years from the effectivity of this Act.

This franchise includes the right and privilege of cable and wireless operations, such as telephone, wired or wireless telecommunications systems fiber optics, multi-channel transmission distribution systems, satellite transmit, receive and other telecommunications systems and their value-added services, control signals, audio and video, information service bureau and other telecommunications systems/technologies as are at present available or be made available through technological/technical advances or innovations in the future, and to purchase any or all of the equipment and materials needed in its operations. The grantee shall be authorized to lease or acquire facilities, channels or circuits in the pursuance of its business.

SEC. 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 or the availability thereof.

SEC. 3. *Authority of the National Telecommunications Commission.* – The grantee shall secure from the National Telecommunications Commission (NTC) a Certificate of Public Convenience and Necessity (CPCN) and the appropriate permits and licenses for the construction, installations and operation of its telecommunications systems or facilities. In issuing the certificate, the NTC shall have the power to impose such conditions relative to the construction, operation, maintenance, or service level of the telecommunications system. The NTC shall have the authority to

regulate the construction and operation of its telecommunications systems. The grantee shall not use any frequency in the radio spectrum without authorization from the NTC. Such certificate shall state the areas covered and the date the grantee shall commence the service. The NTC, however, shall not unreasonably withhold or delay the grant of such authority, permit or license.

SEC. 4. *Excavation and Restoration Works.*— For the purpose of erecting and maintaining poles or other supports for said wires or other conductors for the purpose of laying and maintaining underground wires, cables or other conductors, it shall be lawful for the grantee, its successors or assignees, with the prior approval of the Department of Public Works and Highways (DPWH) or the local government unit (LGU) concerned, as may be appropriate, to make excavations or lay conduits in any of the public places, roads, highways, streets, lanes, alleys, avenues, sidewalks, or bridges of the provinces, cities, or municipalities: *Provided, however,* That a public place, road, highway, street, lane, alley, avenue, sidewalk, or bridge disturbed, altered or changed by reason of erection of poles or other supports or the underground laying of wires, other conductors or conduits shall be repaired and replaced in workmanlike manner by said grantee, its successors or assignees, in accordance with the standards set by the DPWH or the LGU concerned. Should the grantee, its successors or assignees, after the ten (10)-day notice from the said authority, fail, refuse or neglect to repair or replace any part of public place, road, highways, street, lane, alley, avenue, sidewalk, or bridge altered, changed or disturbed by the said grantee, its successors or assigned, then the DPWH or the LGU concerned shall have the right to have the same repaired and placed in good order and condition at double the amount spent for such repair or replacement, to be charged against the grantee, its successors or assignees.

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

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

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

SEC. 6. *Rates for Services.* — The charges and rates for telecommunications services of the grantee, except the rates and charges on those that may hereafter be declared or considered as nonregulated services, whether flat rate or measured rates or variation thereof, shall be subject to the approval of the NTC or its legal successor.

SEC. 7. *Right of the Government.* — 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 any time after due process.

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

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

SEC. 9. Commitment to Provide and Promote the Creation of Employment Opportunities. – The grantee shall create employment opportunities and shall allow on-the-job trainings in their franchise operation: *Provided*, That priority shall be accorded to the residents in areas where any of its offices is located: *Provided, further*, That the grantee shall follow the applicable labor standards and allowance entitlement under existing labor laws, rules and regulations and similar issuances: *Provided, finally*, That the employment opportunities or jobs created shall be reflected in the General Information Sheet (GIS) to be submitted to Securities and Exchange Commission annually.

SEC. 10. Right of Interconnection. – The grantee is hereby authorized to connect or demand connection of its telecommunications systems to other telecommunications systems installed, operated, and maintained by any other duly authorized person or entity in the Philippines for the purpose of providing extended and improved telecommunications services to the public, under the terms and conditions mutually agreed upon by the parties concerned, the right shall be subject to the review and modification of the NTC.

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

SEC. 12. Sale, Lease, Transfer, Grant of Usufruct, or Assignment of Franchise. – The grantee shall not sell, lease, transfer, grant the usufruct of, nor assign this franchise or the rights and privileges acquired thereunder to any person, firm, company, corporation or other entity, nor merge with any other corporation or entity, nor shall transfer the controlling interest of the grantee, simultaneously or contemporaneously, to any person, firm, company, corporation, or entity without the prior approval of the Congress of the Philippines. Congress shall be informed of any sale, lease, transfer, grant of usufruct, or assignment of franchise or the rights and privileges acquired thereunder, or of the merger or transfer of the controlling interest of the grantee, within sixty (60) days after the completion of the said transaction. Failure to report to Congress such change of ownership shall render the franchise *ipso facto* revoked. Any person or entity to which this franchise is validly sold, transferred, or assigned shall be subject to the same conditions, terms, restrictions, and limitations of this Act.

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

SEC. 14. Reportorial Requirement. – 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 annual report shall include an update on the roll-out, development, operation and/or expansion of business; audited financial statements; latest GIS officially submitted to SEC, if

applicable; certification of the NTC on the status of its permits and operations; and an update on the dispersal of ownership, if applicable.

The reportorial compliance certificate issued by Congress shall be required before an application for any permit, CPCN, or any equivalent thereof is accepted by the NTC.

SEC. 15. *Penalty Clause.* – Failure of the grantee to submit the requisite annual report to Congress shall be penalized with a fine in the amount of One million pesos (P1,000,000.00) per working day of noncompliance, the effectivity of which shall commence upon applicability with other telecommunications franchise grantees: *Provided*, That in the interim, the grantee shall be liable to pay the fine of Five hundred pesos (P500.00) per working day of noncompliance. The fine shall be collected by the NTC from the delinquent franchise grantee separate from the reportorial penalties imposed by the NTC and the same shall be remitted to the Bureau of Treasury.

SEC. 16. *Equality Clause.* – Any advantage, favor, privilege exemption, or immunity granted under other existing franchises, or which may hereafter be granted, upon prior review and approval of Congress, shall 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 effect provisions of telecommunications franchises concerning the territorial coverage, life term, or the type of service authorized by the franchise.

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

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

SEC. 19. *Repealing Clause.* – All other laws, decrees, orders, issuance, resolutions, instructions, rules and regulations or parts thereof inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

SEC. 20. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in any newspaper of general circulation.

Approved,