

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

EIGHTEENTH CONGRESS
First Regular Session

6457
House Bill No. _____



Introduced by: REP. HENRY R. VILLARICA, REP. JOSE ANTONIO R. SY-
ALVARADO, REP. GAVINI C. PANCHO, REP. LORNA C. SILVERIO,
REP. FLORIDA P. ROBES

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 RACITELCOM, INC. for another twenty five (25) years. The initial franchise was first granted on March 26, 1998 under Republic Act No. 8606.

RACITELCOM, INC. was first granted a Municipal franchise to operate a telephone business in Meycauayan on September 24, 1957 by the Municipal Council of Meycauayan by virtue of Resolution.

Thereafter, the company expanded its operations to the municipality of Bocaue after it was granted the authority to construct, maintain and operate a telephone system through Resolution No. 19 dated February 5, 1961. The Bocaue franchise was approved by the Provincial Board of Bulacan on February 21, 1961 by the virtue of Resolution No. 115. The corresponding Certificate of Public Convenience and Necessity was issued by the defunct PCS in Case No. 61-1375 dated April 17, 1961.

The Sta. Maria franchise was obtained by virtue of Resolution No. 3 series of 1961 and which Resolution was approved by the Bulacan Provincial Board in its Resolution no. 91, series of 1961. The Certificate of Public Convenience and Necessity was issued by the PSC in Case No. 61-1383.

For the Municipality of Marilao, RACITELCOM, INC. through deceased ERNESTO A. PAPA was granted a municipal franchise to operate and maintain telephone system in said Municipality by the Marilao Municipal Council in its Resolution No. 25 dated April 25, 1968.

The Bulacan provincial board approved the franchise with Resolution No. 691 dated July 31, 1968. The PSC on September 27, 1971 granted the RACITELCOM, INC. under Case No. 69-2923 a Certificate of Public Convenience and Necessity to operate the telephone system in the said Municipality of Marilao, Bulacan.

All of the above franchise had a lifetime of thirty five (35) years each from approval and all the telephone exchanges therein are operated manually.

To ensure delivery of better service to their present and future subscriber, Racitelcom expanded and modernized its existing transmission telecommunication system to new digital exchange with multiple remote subscriber units and FTTH geared towards connecting the rest of the Province of Bulacan.

With the advent of technological advancements in the telecommunications industry, Racitelcom, Inc. continues to provide the latest telecommunications technology to its subscribers who are based in a rapidly growing digital society. With this, Racitelcom, Inc. lives its by-line "Connects you to the future..."

Racitelcom, Inc. as its primary offering provides its subscribers with both the landline voice connection and the more in demand data connection. It now focuses its operations to more communities covered by its existing facilities and subsequent cities and municipalities within the Province of Bulacan.

Advances in the telecommunications technological landscape had been exponential over the past two decades and will continue to grow even at a more accelerated pace in the coming decades. Racitelcom, Inc. is committed to make these services and products available to the locality it serves. Racitelcom, Inc. over its decades of service, has seen that it had substantially contributed to the modernization and development of telecommunications in different cities and municipalities.

Hence, the approval of this bill is earnestly sought.

Rep. JOSE ANTONIO R. SY-ALVARADO
1st District, Bulacan

Rep. GAVINI C. PANCHO
2nd District, Bulacan

Rep. LORNA C. SILVERIO
3rd District, Bulacan

Rep. HENRY R. VILLARICA
4th District, Bulacan

Rep. FLORIDA P. ROBES
San Jose Lone District, Bulacan

Republic of the Philippines
HOUSE OF REPRESENTATIVES
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EIGHTEENTH CONGRESS
First Regular Session

House Bill No. 6457

Introduced by: REP. HENRY R. VILLARICA, REP. JOSE ANTONIO R. SY-
ALVARADO, REP. GAVINI C. PANCHO, REP. LORNA C. SILVERIO,
REP. FLORIDA P. ROBES

**AN ACT RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE
FRANCHISE GRANTED TO RACITELCOM, INC., UNDER REPUBLIC ACT NO.
8606 ENTITLED "AN ACT GRANTING THE RACITELCOM, INC. A FRANCHISE
TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE AND, MAINTAIN
TELECOMMUNICATIONS SERVICES IN THE PROVINCE OF BULACAN"**

Section 1. *Nature and Scope of Franchise.* – Subject to the provisions of the Constitution and applicable laws, rules and regulations, the franchise granted to RACITELCOM, INC., under Republic Act No. 8606, and hereunder referred to as the grantee, its successors or assignees, to construct, install, establish, operate and maintain for commercial purposes and in the public interest, in the Province of Bulacan, Philippines, wire and/or wireless telecommunications system such as personal communication network, trunk radio services, copper, fiber optics, switches and their value-added services such as the transmission of voice, data, facsimile, control signs, audio and video, information services and all other telecommunications system technologies as are at present available or will be made available through technological advances or innovations in the future; or construct, acquire, lease, and operate, or manage transmitting and receiving stations, lines, cables, or systems as are convenient or essential to efficiently carry out the purpose of this franchise, is hereby renewed for another twenty-five (25) years from the effectivity of this Act.

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 the existing stations or other stations which may be established by law, without in any way diminishing its own right to use its selected wavelengths or frequencies and the quality of transmission or reception thereon as should maximize rendition of the grantee's services and/or the availability thereof. In no way shall the operations of the grantee, nor the radiated power of its stations or facilities, exceed that required to cover the area where it is allowed to operate.

Section 3. *Authority of the National Telecommunications Commission.* – The grantee shall secure from the National Telecommunications Commission, hereinafter referred to as the Commission, a certificate of public convenience or the appropriate permits and licenses for

the location, construction, installation and operation of its telecommunications systems. In issuing the certificate, the Commission shall have the power to impose such conditions relative to the construction, operation, maintenance, or service level of the telecommunications system. The Commission 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 having been authorized by the Commission. Such certificate shall state the areas covered and date the grantee shall commence the service. The Commission, however, shall not unreasonably withhold or delay the grant of any such authority, permits or licenses.

Section 4. *Responsibility to the Public.* – The grantee shall conform to the ethics of honest enterprise and shall not use its stations 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 provide basic or enhanced telephone service in any municipality in the Philippines where it has an approved certificate of public convenience for the establishment, operation, and maintenance of a local exchange service, without discrimination to any applicant therefore, in the order of the date of their applications, up to the limit of the capacity of its local telephone exchange, and should the demand for the telephone service at any time increase beyond the capacity thereof, the grantee shall increase the same to meet such demand: provided, that in case the total demand to be satisfied by the expansion is less than the smallest viable local exchange available in the market as determined by the Commission, the grantee shall not be obliged to furnish said service, unless the applicant for telephone service defrays the actual expenses for the installation of the telecommunication apparatus necessary for such services and in such case the Commission may extend the time within which the grantee shall furnish such service.

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.

Section 5. *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 non-regulated services, whether flat rates or measured rates or variation thereof, shall be subject to the approval of the Commission or its legal successors. The rates to be charged by the grantee shall be unbundled, separable and distinct among the services offered and shall be determined in such a manner that regulated services do not subsidize the unregulated ones.

Section 6. *Right of Government.* – 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 they shall be so operated.

The radio spectrum is a finite resource that is a 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 7. *Term of Franchise.* – 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. This franchise shall be deemed ipso facto revoked, in the event the grantee fails to comply with any of the following conditions:

- (a) Commence operations within three (3) years from the approval of its operating permit or provisional authority by the National Telecommunications Commission;
- (b) Operate continuously for two (2) years; and
- (c) Commence operations within five (5) years from the effectivity of this Act.

Section 8. *Acceptance and Compliance.* – Acceptance of this franchise shall be given in writing within sixty (60) days from the effectivity of this Act. Upon giving such acceptance, the grantee shall exercise the privileges granted under this Act. Non-acceptance shall render the franchise void.

Section 9. *Bond.* – If the grantee is not yet operational, the grantee shall file a bond issued in favor of the National Telecommunications Commission, which shall determine the amount, to guarantee the compliance with and fulfillment of the conditions under which this franchise is granted. If after five (5) years from the date of the approval of its permit by the Commission, the grantee shall have fulfilled the same, the bond shall be cancelled by the Commission. Otherwise the bond shall be forfeited in favor of the government and the franchise ipso facto revoked.

Section 10. *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 extended and improved telecommunications services to the public under such terms and conditions mutually agreed upon by the parties concerned and the same shall be subject to the review or modification of the Commission.

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, exclusive of this franchise, as other persons or corporations are now or hereafter may be required by law to pay. In addition thereto, the grantee, its successors or assigns, shall pay the value-added tax under Republic Act No. 7716 or a franchise tax of three percent (3%) per annum or at such percentage as may be prescribed by law, on all gross receipts of its telecommunications business transacted under this franchise, whichever is higher: provided, that the grantee, its successors or assigns, 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 taxes due thereon to the Commissioner of Internal Revenue or his duly authorized representatives in accordance with the National Internal Revenue Code and the return shall be subject to audit by the Bureau of Internal Revenue.

Section 12. *Gross Receipts.* – The grantee, its successors or assigns, shall keep a separate account of the gross receipts of the business transacted by it and shall furnish the Commission on Audit and the National Treasury a copy of such account not later than the 31st day of January of each year, for the preceding twelve (12) months.

Section 13. *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, two (2) copies of the quarterly reports on the gross receipts, the net profits and the general condition of the business.

Section 14. *Warranty in Favor of National and Local Governments.* – The grantee shall hold the national, provincial, city and municipal governments of the Philippines harmless 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 and equipment of the grantee.

Section 15. *Sale, Lease, Transfer, Usufruct, Etc.* – The grantee shall not lease, transfer, grant the usufruct of, sell nor assign this franchise or the rights and privileges acquired thereunder to any person, firm, company, corporation or other commercial or legal entity, nor merge with any 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 when such person, firm, company, corporation or entity has a valid and existing legislative franchise for telecommunications or it is in pursuance of the provisions of Section 16 of this Act. Any person or entity to which this franchise is sold, transferred or assigned, shall be subject to all the same conditions, terms, restrictions, and limitations of this Act.

Section 16. *Dispersal of Ownership.* – In accordance with the constitutional provisions to encourage public participation in the public utilities, the grantee shall offer at least thirty per centum (30%) of its outstanding capital stock or a higher percentage that may hereafter be provided by law in any securities exchange in the Philippines within ten (10) years from the commencement of its operations or from the effectivity of this Act, whichever is later. Non-compliance therewith shall render the franchise ipso facto revoked.

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

Section 18. *Repealability and Non-exclusivity 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 privileges herein provided for.

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

Section 20. Effectivity Clause. – This Act shall take effect fifteen (15) days from the date of its publication in at least two (2) newspapers of general publication.

Approved,

Rep. JOSE ANTONIO R. SY-ALVARADO
1st District, Bulacan


Rep. LORNA C. SILVERIO
3rd District, Bulacan


Rep. GAVINI "APOL" C. PANCHO
2nd District, Bulacan


Rep. HENRY R. VILLARICA
4th District, Bulacan


Rep. FLORIDA P. ROBES
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