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TITLE : AN ACT GRANTING THE ISLA COMMUNICATIONS CO. A FRANCHISE TO
INSTALL, OPERATE AND MAINTAIN TELECOMMUNICATIONS SERVICES WITHIN THE
TERRITORY OF THE REPUBLIC OF THE PHILIPPINES AND INTERNATIONAL

POINTS

AND FOR OTHER PURPOSES

TEXT :

H. No. 34638

Republic of the Philippines
Congress of the Philippines
Metro Manila

Fifth Regular Session

Begun and held in Metro Manila, on Monday, the twenty-second
day of July, nineteen hundred and ninety-one.

[REPUBLIC ACT NO. 7372]

AN ACT GRANTING THE ISLA COMMUNICATIONS CO. A
FRANCHISE TO INSTALL, OPERATE AND MAINTAIN
TELECOMMUNICATIONS SERVICES WITHIN THE
TERRITORY OF THE REPUBLIC OF THE
PHILIPPINES AND INTERNATIONAL POINTS AND
FOR OTHER PURPOSES

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

SECTION 1. 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 Isla Communications Co. (ISLACOM), its
successors or assigns the right, privilege and authority to
construct, operate and maintain all types of mobile
telecommunications, including cellular, personal
communications network, paging and trunk radio services (such
as but not limited to the transmission and reception of

voice, data facsimile, audio and video, and all other improvements and innovations pertaining to or as may be applicable to mobile telecommunications technology) as well as multi-channel microwave, fiber optic and satellite distribution systems that may be required for the purpose of linking together said mobile 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.

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.

SEC. 2. The President of the Philippines, in times of war, rebellion, public peril, calamity, emergency, disaster or disturbance of peace and order, may 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 compensation to the grantee, for the use of said stations, transmitter systems,

facilities and equipment during the period when they shall be so operated.

SEC. 3. 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, further, That the National Telecommunications Commission shall have the authority to supervise and regulate the installation or operation of such radio telecommunications system.

SEC. 4. For the purpose of installing, operating and maintaining its telecommunications lines, it shall be lawful for the grantee, its successors or assigns to make excavations or lay conduits in any of the public places, highways, streets, lanes, alleys, avenues, sidewalks, bridges of said 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 Transportation and Communications 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.

SEC. 5. 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. In any event that the grantee fails to operate continuously for two (2) years, this franchise shall be deemed ipso facto revoked.

SEC. 6. Acceptance of this franchise shall be given in writing within sixty (60) days after the effectivity of this Act. The grantee shall operate the telecommunications systems for which this franchise is granted within four (4) years from the date of its acceptance in writing of this franchise. Refusal or failure to accept the franchise or to operate within the prescribed period shall render the franchise void.

SEC. 7. 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 grantee, 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.

SEC. 8. 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.

SEC. 9. The grantee shall not exercise any right or privilege under this franchise without first having obtained such certificate of public convenience and necessity 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.

SEC. 10. The stations of the grantee shall be so constructed and operated and the wavelengths so selected as to avoid interference with existing stations and to permit the expansion of the grantee's services.

SEC. 11. No private property shall be taken for any purpose by the grantee without proper condemnation proceedings and just compensation paid or tendered therefor, 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.

SEC. 12. As a guaranty that this franchise has been accepted in good faith, the grantee, its successors or assigns shall file, after the granting of the certificate of public convenience and necessity by the National Telecommunications Commission, with the National Treasurer, a surety bond in such amount as may be fixed by the proper government authority to guarantee full compliance and fulfillment of the conditions under which this franchise is granted.

Should the said grantee, its successors or assigns, for any other cause than the act of God or the public enemy, usurpation of military power, martial law, riot, civil commotion or inevitable cause, fail, refuse or neglect to begin, within two (2) years from the date of the granting of said certificate of public convenience and necessity, the business of providing telecommunications service or fail, refuse or neglect to be fully equipped and ready to operate, within two (2) years from the date of granting of said certificate of public convenience and necessity, a telecommunications system as have been agreed with competent authority, according to the terms of this franchise, then the bond prescribed by this section to be filed with the National Treasurer shall become the property of the National Government as liquidated damages caused to the Government by such failure, refusal or neglect, and thereafter no interest on said bond shall be paid to the grantee, its successors or assigns.

Should the grantee, its successors or assigns begin the business of providing a telephone service and be ready to operate according to the terms of this franchise a telecommunications system within two (2) years from the date of the granting of said certificate of public convenience and necessity, then and in that event the bond prescribed by this section shall be returned by the Government to the grantee, its successors or assigns as soon as the telephone service has begun in accordance with the terms of this franchise: Provided, further, That all the time during which the grantee, its successors or assigns may be prevented from carrying out the terms and conditions of this franchise by any of said causes shall be added to the time allowed by this franchise for compliance with its provisions.

SEC. 13. From the date the National Telecommunications Commission allots the grantee the frequencies and wavelengths to be used by it, the grantee shall be allowed for a period of three (3) years to import all its capital equipment on a tax- and duty-free basis.

SEC. 14. 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 which are now or hereafter may be required by law to pay. In addition thereto, the grantee, its successors or assigns shall pay a franchise tax equivalent to three percent (3%) of all gross receipts of the business transacted under this franchise by the grantee, its successors or assigns and the said percentage shall be in lieu of all taxes on this franchise or earnings thereof: Provided, That the grantee, its successors or assigns shall continue to be liable for income taxes payable under Title 11 of the National Internal Revenue Code pursuant to Section 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.

SEC. 15. The rates for the telephone service or charges for every type of call, flat rates as well as measured rates, are subject to the approval of the National Telecommunications Commission.

SEC. 16. The grantee is hereby authorized to connect its telecommunications systems to any other telecommunications systems installed, operated and maintained by any other grantee 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 National Telecommunications Commission.

SEC. 17. 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.

SEC. 18. 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 or 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.

SEC. 19. 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 without the prior approval of the Congress of the Philippines. Neither 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 the transfer is done: (a) through a stock exchange transaction; (b) for purposes of qualifying persons for election to the board; and (c) to a corporation that is controlled by the same stockholders as that of the grantee. 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.

SEC. 20. In compliance with the constitutional mandate to democratize ownership of public utilities, the herein grantee shall make a public offering through the stock exchange of at least thirty percent (30%) of its common stocks within a period of three (3) years from the date of the effectivity of this Act: Provided, That no single person or entity shall be allowed to own more than five percent (5%) of the stock offering.

SEC. 21. The grantee shall comply with and be subject to the provisions of a general telecommunications policy law that may hereafter be enacted.

SEC. 22. The grantee is authorized to contract the installation and operation of the telecommunications system which is the subject of this grant to private entities with expertise in the field of telecommunications under such terms and conditions as may be approved by the National Telecommunications Commission.

SEC 23. This franchise is granted with the understanding and upon the condition that it shall be subject to amendment, alteration or repeal by the Congress as provided in the Constitution, and that all lands or rights or use or occupation of lands secured by virtue of termination to the national, provincial, city or municipal governments which were the owners thereof upon the date on which the franchise was granted. The pertinent provisions of the Constitution are hereby incorporated in and made part of these presents, with the same effect as if they were expressed herein.

SEC. 24. Wherever in this franchise the term 'grantee' is used, it shall be held and understood to mean and represent the Isla Communications Co., its representatives, successors or assigns.

SEC. 25. This Act shall take effect fifteen (15) days from the date of its publication in at least two (2) newspapers of general circulation in the Philippines.

Approved,

	NEPTALI A. GONZALES	RAMON V.
MITRA	President of the Senate	Speaker of the House of Representatives

This Act which originated in the House of Representatives was finally passed by the House of Representatives and the Senate on January 28, 1992 and January 23, 1992, respectively.

ANACLETO D. BADOY, JR.	CAMILO L. SABIO
Secretary of the Senate	Secretary General House of Representatives

Approved: APR 10 1992

CORAZON C. AQUINO
President of the Philippines

