

REPUBLIC ACT NO. 7939

AN ACT GRANTING THE ISLAND COUNTRY TELECOMMUNICATIONS, INC., A FRANCHISE TO ESTABLISH, INSTALL, MAINTAIN, LEASE AND OPERATE WIRE AND/OR WIRELESS TELECOMMUNICATION SYSTEM AND SERVICES, LINES, CIRCUITS AND STATIONS WITHIN AND WITHOUT THE PHILIPPINES, AND FOR OTHER PURPOSES

*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 on public telecommunications, the Island Country Telecommunications, Inc., its successors or assigns and hereunder referred to as the grantee, is hereby granted the right, privilege and authority to carry on the business of providing telecommunications services throughout the Philippines and between the Philippines and other countries and territories and, for this purpose, to establish, operate, manage, lease, maintain and purchase telecommunications systems, including mobile, cellular, and wired or wireless telecommunication systems and their value-added services such as, but not limited to, transmission of voice, data, facsimile, control signs, audio and video, information service bureau, and all other telecommunications systems technologies as are at present available or to be made available through technical advances or innovations in the future, or construct, acquire, lease, and operate or manage transmitting and receiving stations and switching stations, lines, cables, or systems, as is, or are, convenient or essential to efficiently carry out the purpose of this franchise.

SEC. 2. *Manner of Operation of Stations or Facilities.* – The grantee shall construct and operate its stations in a manner as will at most result only on the minimum interference on the

wavelengths and frequencies of existing stations or other stations which may hereafter be established in accordance with law by other telecommunication services grantees, 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 availability thereof.

SEC. 3. *Authority from 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 appropriate permits and licenses for the location, construction, installation, and operation of its telecommunication 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 systems. The grantee shall not use any frequency in the radio spectrum without having been authorized by the Commission. The Commission, however, shall not unreasonably withhold or delay the grant of any such authority. Such certificate shall state the areas covered and the date the grantee shall commence the service.

SEC. 4. *Responsibility to the Public.* – The grantee shall render services to the public in accordance with the ethics of honest enterprise and shall not use its stations for obscene or indecent transmissions or for the dissemination of deliberately false information or willful misrepresentation or assist in subversive or treasonable acts.

SEC. 5. *Eminent Domain.* – The grantee may acquire such private property as is actually necessary for the realization of the purposes for which this franchise is granted: *Provided*, That in case the owner refuses to sell or allow the use thereof, the proper proceedings shall be instituted: *Provided, further*, That just compensation is paid.

SEC. 6. *Ingress and Egress.* – For the purpose of installing, operating and maintaining its telecommunication lines, it shall be lawful for the grantee to make excavations or lay conduits in any of the public places, highways, streets, lanes, sidewalks,

bridges or infrastructure in any of the provinces and municipalities: *Provided*, That any public place, highway, street, lane, sidewalk, bridge or infrastructure disturbed, altered, or changed thereby shall be repaired and replaced in a workmanlike manner by the grantee to the satisfaction of the Department of Public Works and Highways or the local engineering office, as the case may be, and/or in accordance with existing laws or rules on excavations and reconstitution of such public civil works.

SEC. 7. *Interconnection*. – The grantee is authorized to connect or demand connection of its telecommunications systems to any other telecommunications systems installed, maintained and operated 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 interconnection and the same shall be subject to the review or modification of the Commission.

SEC. 8. *Equality Clause*. – If any subsequent franchise for telecommunications service is awarded or granted by the Congress of the Philippines with terms, privileges and conditions more favorable and beneficial than those contained in this Act, then the same privileges or advantages shall *ipso facto* accrue to the herein grantee and be deemed part of this Act.

SEC. 9. *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 entity, nor merge with any other corporation or entity without the prior approval of the Congress of the Philippines. Neither shall the controlling interest of 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: *Provided*, That the foregoing limitations shall not apply to: (1) any transfer or issuance of shares of stock in the implementation of requirement for the dispersal of the grantee's ownership pursuant to Section 12 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 investor pursuant to or in connection with any increase in the grantee's authorized capital stock which shall result 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 any of the services authorized by this Act and/or to carry out any of the purposes 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. The conditions, terms, restrictions, and limitations imposed under this Act shall likewise be imposed to any person or entity to whom this franchise as may hereafter be validly sold, transferred or assigned.

SEC. 10. *Tax Provisions.* – The grantee shall be liable to pay the same taxes on their real estate, buildings and personal property exclusive of this franchise, as other persons or telecommunication entities 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 transacted under this franchise, and the said percentage shall be in lieu of all taxes on this franchise or earnings thereof: *Provided,* That the grantee shall continue to be liable for income taxes payable under Title II of the National Internal Revenue Code. 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 Revenue Code and the return shall be subject to audit by the Bureau of Internal Revenue.

SEC. 11. *Rules of Service.* – All charges and rates for services, excluding the sale or lease of equipment or units, that the grantee shall offer to the public shall be subject to the approval of the National Telecommunications 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.

SEC. 12. *Dispersal of Ownership.* – In accordance with the constitutional provision to encourage public participation in utilities, the grantee shall offer at least thirty percent (30%) of its common stocks within five (5) years from effectivity of this Act.

SEC. 13. *Terms of Franchise.* – This franchise shall be for a period of twenty-five (25) years from the date of effectivity of this Act, unless sooner revoked or cancelled. In the event the grantee fails to operate continuously for two (2) years, this franchise shall be deemed *ipso facto* revoked.

SEC. 14. *Acceptance of Franchise.* – Within sixty (60) days after the effectivity of this Act, the grantee shall file its written acceptance of all the terms and conditions hereof with the Secretary of Transportation and Communication, with a copy furnished to the Chairman of the National Telecommunications Commission. In default of such acceptance within the said time, the franchise shall become null and void.

SEC. 15. *Warranty.* – The grantee shall hold the national, provincial, city, and municipal governments harmless from all claims, accounts, demands, or actions arising out of accidents or injuries, whether to property or to persons, caused by the installation and operation of the telecommunications systems of the grantee.

SEC. 16. *Right of Government.* – In the event of war, rebellion, insurrection, or similar national crises and the government shall find it necessary to operate and maintain for itself any or all of the telecommunication apparatus and system herein authorized, the grantee shall temporarily turn over such facilities or apparatus to the government in exchange for payment of just and reasonable compensation for the use thereof.

SEC. 17. *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. 18. *General Telecommunications Policy Law.* – The grantee shall comply with and be subject to the provisions of a general telecommunications policy law which Congress may hereafter enact.

SEC. 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.

SEC. 20. *Separability Clause.* – If any section or provision of this act is declared unconstitutional or invalid, the other sections or provisions not affected thereby shall continue to be in force and effect.

SEC. 21. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation in the Philippines.

Approved, March 1, 1995.