

Republic of the Philippines
Congress of the Philippines
Metro Manila
Seventeenth Congress
Third Regular Session

Begun and held in Metro Manila, on Monday, the twenty-third day of July, two thousand eighteen.

[REPUBLIC ACT NO. **11151**]

AN ACT RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO ISLA COMMUNICATIONS COMPANY, INC., PRESENTLY KNOWN AS INNOVE COMMUNICATIONS, INC., AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7372, ENTITLED "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. 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 Isla Communications Company, Inc., (ISLACOM), presently known as Innove Communications, Inc., its successors or assignees, 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 assignees, 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, impressions, 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 maintenance for communications and the transmission of messages, data, video, pictures, impressions and signals; or any other means which may 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.”

“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 and/or the availability thereof."

"SEC. 3. *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.

"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 compensation to the grantee, for the use of said stations, transmitter systems, facilities and equipment during the period when these shall be so operated."

"SEC. 4. *Powers of the National Telecommunications Commission.* – 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 (NTC). This franchise shall not take effect nor shall any power be exercised by the grantee until the NTC shall have allotted to the grantee the frequencies and wavelengths to be used, 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 NTC, however, shall not unreasonably withhold or delay the grant of any such authority, permits or licenses.

“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.

“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 NTC: *Provided, further*, That the NTC shall have the authority to supervise and regulate the installation or operation of such radio telecommunications system.”

“SEC. 5. *Excavation and Restoration Works.* – For the purpose of erecting and maintaining poles or other supports for wires or other conductors for laying and maintaining underground wires, cables or other conductors, the grantee, its successors or assignees, shall be authorized to make excavations or lay conduits in any of the public places, roads, highways, streets, lanes, alleys, avenues, sidewalks, bridges of the provinces, cities and/or municipalities, with the prior approval of the Department of Public Works and Highways (DPWH) and the local government unit (LGU) concerned, as may be appropriate: *Provided, however*, That any public

place, highway, road, 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 a workmanlike manner by said grantee, its successors or assignees, in accordance with the standards set by the DPWH and 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 a public place, road, highway, street, lane, alley, avenue, sidewalk or bridge disturbed, altered or changed by said grantee, its successors or assignees, then the DPWH or the LGU concerned shall have the right to have the same repaired and placed in good order and condition and charge the grantee, its successors or assignees, at double the amount of the costs and expenses for such repair or replacement.”

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

“SEC. 7. *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.

“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 in 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.

“The grantee shall also improve and upgrade its equipment, facilities and services, in order to ensure effective compliance with the objectives of Republic Act No. 10639 or the ‘Free Mobile Disaster Alerts Act’.”

“SEC. 8. *Gross Receipts.* – The grantee, its successors or assignees, shall keep a separate account of the gross receipts of the telecommunications service business transacted by it and shall furnish the Commission on Audit (COA) and the National Treasurer a copy of such account not later than January 31 of each year for the preceding twelve (12) months.”

“SEC. 9. *Tax Provisions.* – The grantee, its successors or assignees, 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 thereafter may be required by law to pay, except radio telecommunications and electronic communications equipment, machinery, and spare parts needed in connection with the business of the grantee which shall be exempt from customs duties, tariffs and other taxes, as well as those declared exempt in this section. In addition thereto, the grantee, its successors or assignees, shall pay a value-added tax on all gross receipts of

the business transacted under this franchise by the grantee, its successors or assignees, in the Philippines in lieu of any and all taxes of any kind, nature, or description levied, established, or collected by an authority whatsoever including, but not limited to, city, municipal, provincial, or national, from which the grantee is hereby expressly exempted effective from the date of the effectivity of this Act: *Provided*, That the grantee, its successors or assignees, shall continue to be liable for income taxes payable under Title II 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 amendment or repeal shall be applicable thereto."

"SEC. 10. *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 their principal office 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 the Securities and Exchange Commission annually."

"SEC. 11. *Mobile Number Portability.* – The grantee shall provide mobile number portability (MNP). It shall set up a mechanism for the purpose of implementing MNP. It shall interconnect directly or indirectly with the infrastructure, facilities, systems, or equipment of other telecommunications franchise grantees. It shall not install network features, functions or

capabilities that will impede the implementation of a nationwide MNP system. The NTC shall issue rules and regulations for this purpose, the effectivity of which shall commence upon applicability with other telecommunications franchise grantees.”

“SEC. 12. *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 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. 13. *Rates for Services.* – The charges and rates of telecommunications services of the grantee, except the rates and charges on those that may hereafter be declared or considered as nonregulated services, whether flat rates or measured rates or variation thereof, shall be subject to the approval of the NTC or its legal successor.”

“SEC. 14. *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

the terms and conditions mutually agreed upon by the parties concerned, subject to the review and modification of the NTC."

"SEC. 15. *Books and Accounts.* - The books and accounts of the grantee, its successors or assignees, shall always be open to the inspection of the COA or its authorized representatives, and it shall be the duty of the grantee to submit to the COA quarterly reports in duplicate showing the gross receipts and the net receipts for the past quarter and the general condition of the business."

"SEC. 16. *Nonexclusivity.* - 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 NTC after hearing both parties interested may compel the grantee of this franchise or its successors or assignees 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 assignees to the grantee of this franchise or its successors or assignees."

"SEC. 17. *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, liabilities, demands, or actions arising out of accidents causing injury to persons or damage to properties, during the construction or operation of the stations of the grantee."

"SEC. 18. *Sale, Lease, Transfer, 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 entity, nor merge with any other corporation or entity, nor shall the controlling interest of the grantee be transferred, whether as a whole or in part, 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; (c) to a corporation that is controlled by the same stockholders as that of the grantee; (d) to person, firm, company, corporation or entity with a valid and existing legislative franchise for telecommunications; or (e) where the grantee is the surviving corporation: *Provided*, 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 19 of this Act; (2) any transfer or sale of shares of stock to a foreign investor or investors; (3) any issuance of shares to a foreign or local investor 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; or (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 provision. 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. 19. *Dispersal of Ownership.* – In accordance with the constitutional provision to encourage public participation in public utilities, the grantee shall offer to Filipino citizens at least thirty percent (30%) or a higher percentage that may hereafter be provided by law of its outstanding capital stock in any securities exchange in the Philippines within five (5) years from the commencement of its operations: *Provided,* That in cases where public offer of shares is not applicable, the grantee shall apply other methods of encouraging public participation by citizens and corporations operating public utilities as allowed by law. Noncompliance therewith shall render the franchise *ipso facto* revoked.”

“SEC. 20. *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 NTC.”

“SEC. 21. *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 NTC."

"Failure of the grantee to submit the requisite and separate 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 National Treasury."

"SEC. 22. *Equality Clause.* - Any advantage, favor, privilege, exemption, or immunity 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 the 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."

SEC. 2. *Renewal of Franchise.* - The term of the franchise granted under Republic Act No. 7372 is hereby renewed for 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.

SEC. 3. *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. 4. *Repealability and Exclusivity Clause.* – This franchise is granted with the understanding and upon condition that it 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.

SEC. 5. *Repealing Clause.* – All laws, decrees, executive orders, rules and regulations or parts or provisions thereof which are not consistent with this Act are hereby repealed, amended, or modified accordingly.

SEC. 6. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,



VICENTE C. SOTTO III
President of the Senate



GLORIA MACAPAGAL-ARROYO
*Speaker of the House
of Representatives*

This Act which originated in the House of Representatives was passed by the House of Representatives and the Senate on October 1, 2018 and September 26, 2018, respectively.



MYRA MARIE D. VILLARICA
Secretary of the Senate



DANTE ROBERTO P. MALING
*Acting Secretary General
House of Representatives*

Approved: DEC 14 2018




RODRIGO ROA DUTERTE
President of the Philippines

