

[REPUBLIC ACT NO. 7925, March 01, 1995]

AN ACT TO PROMOTE AND GOVERN THE DEVELOPMENT OF PHILIPPINE TELECOMMUNICATIONS AND THE DELIVERY OF PUBLIC TELECOMMUNICATIONS SERVICES

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

ARTICLE 1. GENERAL PROVISIONS

SECTION 1. *Short Title.* - This Act shall be known as the "Public Telecommunications Policy Act of the Philippines."

SEC. 2. *Scope and Application.* - This Act shall apply to all public telecommunications entities in the Philippines.

SEC. 3. *Definitions and Interpretations.* - For purposes of this Act, the following terms shall be used:

- a. *Telecommunications* - any process which enables a telecommunications entity to relay and receive voice, data, electronic messages, written or printed matter, fixed or moving pictures, words, music or visible or audible signals or any control signals of any design and for any purpose by wire, radio or other electromagnetic, spectral, optical or technological means.
- b. *Public telecommunications entity* - any person, firm, partnership or corporation, government or private, engaged in the provision of telecommunications services to the public for compensation.
- c. *Broadcasting* - an undertaking the object of which is to transmit over-the-air commercial radio or television messages for reception of a broad audience in a geographic area.
- d. *Franchise* - a privilege conferred upon a telecommunications entity by Congress, authorizing that entity to engage in a certain type of telecommunications service.
- e. *Local exchange operator* - an entity providing transmission and switching of telecommunications services, primarily but not limited to voice-to-voice service, in a geographic area anywhere in the Philippines.
- f. *Inter-exchange carrier* - an entity, sometimes referred to as carrier's carrier or national backbone network operator, authorized to install, own and operate facilities which connect local exchanges within the Philippines and to engage in the business of inter-exchange national long distance services.
- g. *International carrier* - an entity primarily engaged in the business of providing transmission and switching of any telecommunications service between the

Philippines and any other point of the world to which it has an existing correspondent or prospective interconnection agreements.

- h. *Value-added service provider (VAS)* - an entity which, relying on the transmission, switching and local distribution facilities of the local exchange and inter-exchange operators, and overseas carriers, offers enhanced services beyond those ordinarily provided for by such carriers.
- i. *Public toll calling station* - a non-exclusive facility at which the public may, by the payment of appropriate fees, place as well as receive telephone calls and/or telegrams or other messages.
- j. *Mobile radio telephone system* - a wide area mobile radio telephone system with its own switch, base stations and transmission facilities capable of providing high capacity mobile telecommunications by utilizing radio frequencies.
- k. *Interconnection* - the linkage, by wire, radio, satellite or other means, of two or more existing telecommunications carriers or operators with one another for the purpose of allowing or enabling the subscribers of one carrier or operator to access or reach the subscribers of the other carriers or operators.

ARTICLE II. POLICY AND OBJECTIVES

SEC. 4. *Declaration of National Policy.* - Telecommunications is essential to the economic development, integrity and security of the Philippines, and as such shall be developed and administered as to safeguard, enrich and strengthen the economic, cultural, social and political fabric of the Philippines. The growth and development of telecommunications services shall be pursued in accordance with the following policies:

- a. A fundamental objective of government is to develop and maintain a viable, efficient, reliable and universal telecommunication infrastructure using the best available and affordable technologies, as a vital tool to nation building and development;
- b. The expansion of the telecommunications network shall live priority to improving and extending basic services to areas not yet served. For this purpose, government shall promote a fair, efficient and responsive market to stimulate the growth and development of the telecommunications facilities and services, with emphasis on the accessibility by persons to basic services in unserved and underserved areas at affordable rates;
- c. The radio frequency spectrum is a scarce public resource that shall be administered in the public interest and in accordance with international agreements and conventions to which the Philippines is a party and granted to the best qualified. The government shall allocate the spectrum to service providers who will use it efficiently and effectively to meet public demand for telecommunications service and may avail of new and cost effective technologies in the use of methods for its utilization;
- d. Rates and tariff charges shall be fair, just and reasonable and for this purpose, the regulatory body shall develop tariff structures based on socioeconomic factors and on financial, technical and commercial criteria as measures to ensure a fair rate of return and as a tool to ensure economic and social development;
- e. Public telecommunications services shall be provided by private enterprises. The private sector shall be the engine of rapid and efficient growth in the telecommunications industry;

- f. A healthy competitive environment shall be fostered in which telecommunications carriers are free to make business decisions and to interact with one another in providing telecommunications services, with the end in view of encouraging their financial viability while maintaining affordable rates;
- g. A fair and reasonable interconnection of facilities of public network operators and other providers of telecommunications services is necessary in order to achieve a viable, efficient, reliable and universal telecommunications services;
- h. The government shall give all the assistance and encouragement to Philippine international carriers in order to establish interconnection with other countries so as to provide access to international communications highways on a competitive basis;
- i. For efficiency, practicability, and convenience, but with due regard to the observance of due process at all times, regulation of telecommunications entities shall rely principally on an administrative process that is stable, transparent and fair, giving due emphasis to technical, legal, economic and financial considerations;
- j. No single franchise shall authorize an entity to engage in both telecommunications and broadcasting, either through the airwaves or by cable;
- k. Ownership of public telecommunications entities to as wide a number of people as possible, preferably to its customers, in order to encourage efficiency and public accountability and to tap personal savings shall be encouraged;
- l. The development of a domestic telecommunications manufacturing industry to meet the needs of the Philippines and to take advantage of export opportunities shall be promoted without preventing, deterring or hampering the goal of full universal service; and
- m. Human resources skills and capabilities must be harnessed and improved to sustain the growth and development of telecommunications under a fast changing telecommunications environment.

ARTICLE III. ADMINISTRATION

SEC. 5. *Responsibilities of the National Telecommunications Commission.* - The National Telecommunications Commission (Commission) shall be the principal administrator of this Act and as such shall take the necessary measures to implement the policies and objectives set forth in this Act. Accordingly, in addition to its existing functions, the Commission shall be responsible for the following:

- a. Adopt an administrative process which would facilitate the entry of qualified service providers and adopt a pricing policy which would generate sufficient returns to encourage them to provide basic telecommunications services in unserved and underserved areas;
- b. Ensure quality, safety, reliability, security, compatibility and inter-operability of telecommunications facilities and services in conformity with standards and specifications set by international radio and telecommunications organizations to which the Philippines is a signatory;
- c. Mandate a fair and reasonable interconnection of facilities of authorized public network operators and other providers of telecommunications services through appropriate modalities of interconnection and at a reasonable and fair level of charges, which make provision for the cross subsidy to unprofitable local exchange service areas so as to promote telephone density and provide the

- most extensive access to basic telecommunications services available at affordable rates to the public;
- d. Foster fair and efficient market conduct through, but not limited to, the protection of telecommunications entities from unfair trade practices of other carriers;
 - e. Promote consumers welfare by facilitating access to telecommunications services whose infrastructure and network must be geared towards the needs of individual and business users;
 - f. Protect consumers against misuse of a telecommunications entity's monopoly or quasi-monopolistic powers by, but not limited to, the investigation of complaints and exacting compliance with service standards from such entity; and
 - g. In the exercise of its regulatory powers, continue to impose such fees and charges as may be necessary to cover reasonable costs and expenses for the regulation and supervision of the operations of telecommunications entities.

SEC. 6. *Responsibilities of and Limitations to Department Powers.* - The Department of Transportation and Communications (Department) shall not exercise any power which will tend to influence or effect a review or a modification of the Commission's quasi-judicial functions.

In coordination with the Commission, however, the Department shall, in accordance with the policies enunciated in this Act, be responsible for:

- a. the development and maintenance of a long-term strategic national development plan for telecommunications to serve as a guide to the industry and potential investors as well as to the Commission;
- b. the coordination of research and development activities in government with the work of other institutions in the field of telecommunications;
- c. the representation and promotion of Philippine interests in international bodies, and the negotiation of the nation's rights and obligations in international telecommunications matters; and
- d. the operation of a national consultative forum to facilitate interaction amongst the telecommunications industries, user groups, academic and research institutions in the airing and resolution of important issues in the field of communications.

ARTICLE IV. TELECOMMUNICATIONS ENTITIES

SEC. 7. *Categories of Telecommunications Entities.* - A telecommunications entity shall be authorized to operate in one or more of the telecommunications categories mentioned in this Act provided each category is covered by its franchise.

SEC. 8. *Local Exchange Operator.* - A local exchange operator shall:

- a. provide universal basic telephone service to all subscribers who applied for such service, within a reasonable period and at such standards as may be prescribed by the Commission and at such tariff as to sufficiently give it a fair return on its investments.
- b. be protected from uncompensated bypass or overlapping operations of other telecommunications entities in need of physical links or connections to its customers in the area except when it is unable to provide, within a reasonable

period of time and at desired standard, the interconnection arrangements required by such entities.

- c. have the first option to provide pay telephone services or public calling stations in the area covered by its network.
- d. be entitled to a fair and equitable revenue sharing arrangement with the inter-exchange carrier or such other carriers connected to its basic network.

SEC. 9. *Inter-Exchange Carrier.* - The number of entities allowed to provide inter-exchange national long distance services may be limited, but as a matter of policy, where it is economically viable, at least two (2) carriers, shall be authorized: *Provided, however,* that a local exchange carrier shall not be restricted from operating its own inter-exchange carrier service if its viability is dependent thereto. Such inter-exchange carrier shall have the following obligations:

- a. It shall interconnect with other networks in the same category and with local exchange carriers or other telecommunications entities, upon application and within a reasonable time period, and under fair and reasonable level of charges, in order that domestic and international long distance services are made possible; and
- b. It shall have the right to establish and operate its own tandem switching facilities to which international calls or overseas carriers have to course their messages or signals.

SEC. 10. *International Carrier.* - Only entities which will provide local exchange services and can demonstrably show technical and financial capability to install and operate an international gateway facility shall be allowed to operate as an international carrier.

The entity so allowed shall be required to produce a firm correspondent or interconnection relationships with major overseas telecommunications authorities or carriers within one (1) year from the grant of the authority.

The international carrier shall also comply with its obligation to provide the local exchange service in unserved or underserved areas within three (3) years from the grant of the authority as required by existing regulations: *Provided, however,* That said carrier shall be deemed to have complied with the said obligation in the event it allows an affiliate thereof to assume such obligation and who complies therewith.

Failure to comply with the above obligations shall be a cause to cancel its authority or permit to operate as an international carrier.

SEC. 11. *Value-added Service Provider.* - Provided that it does not Out up its own network, a VAS provider need not secure a franchise. A VAS provider shall be allowed to competitively offer its services and/or expertise, and lease or rent telecommunications equipment and facilities necessary to provide such specialized services, in the domestic and/or international market in accordance with network compatibility.

Telecommunications entities may provide VAS, subject to the additional requirements that:

- a. prior approval of the Commission is secured to ensure that such VAS offerings are not cross-subsidized from the proceeds of their utility operations;