MEMORANDUM CIRCULAR  
NO. 08-09-95  

SUBJECT: IMPLEMENTING RULES AND REGULATIONS FOR REPUBLIC ACT NO. 7925 RE: AN ACT TO PROMOTE AND GOVERN THE DEVELOPMENT OF PHILIPPINE TELECOMMUNICATIONS AND THE DELIVERY OF PUBLIC TELECOMMUNICATIONS SERVICES.

For the purpose of an effective and smooth implementation of RA 7925, the National Telecommunications Commission, an attached agency of the Department of Transportation and Communications (DOTC) and the principal administrator of RA 7925 (Public Telecommunications Policy Act of 1995), hereby promulgates the hereunder Implementing Rules and Regulations.

Nothing in this Circular, however, shall be constructed as delimiting the power of DOTC to monitor the implementation of this Act in accordance with its mandate to achieve its responsibility for the development and maintenance of a long term strategic national development plan for telecommunications.

01 DEFINITION OF TERMS

1. Access Charge – refers to a remuneration paid to a carrier by the interconnecting carriers for accessing the facilities of such carrier which is needed by the interconnecting carriers for the origination and/or termination of all types of traffic derived from the interconnection.

2. Actual Cost Approach – refers to an approach in traffic settlement whereby the cost is allocated using a methodology, which most appropriately reflects actual cost of the service.

3. Cross Subsidy Approach – refers to an approach whereby a LE operator is entitled to some subsidy in the revenue settlement to earn a rate of return on its local exchange network investments that shall be at parity with those earned by other segments of the telecommunication industry.

4. Interconnection Charge – refers to the sum of the access charge plus cross-subsidy.

5. Basic Telephone Service – refers to the local exchange telephone service for residence and business establishments.

6. Universal Access – refers to the availability of reliable and affordable telecommunications service in both urban and rural of the country.

7. Local Exchange Area – refers to a defined geographic area authorized by the National Telecommunications Commission to a local exchange operator.
8. Bypass – refers to a situation where an entity other than a local exchange service operator provides long distance service by establishing direct access to a person/entity, customer or end-user within the authorized local exchange service area of a duly authorized local exchange operator.

9. PSTN – refers to a public switched telephone network.

10. Pay Telephone Services (PTS) – sometimes referred to as a public calling station, refers to a facility where the public may, by payment of appropriate and duly approved fees, place as well as receive local or long distance telephone calls or other switched telephone messages.

11. Certificate of Public Convenience and Necessity (CPCN) – refers to a grant consistent with the telecommunications policies and objectives to a qualified applicant, after due notice and hearing, of a final authority to own, operate and maintain a public telecommunications facility/service by the National Telecommunications Commission.

12. Provisional Authority (PA) – refers to an authority, for a limited period, granted to a qualified applicant to operate and maintain a public telecommunications facility/service by the Commission, pending the grant of the CPCN.


14. Network – refers to a set of nodes and links that provides connections between two or more defined points to accommodate telecommunication between them.

15. Enhanced Service – refers to a service which adds a features or value not ordinarily provided by a public telecommunications entity such as format, media, conversion, encryption, enhanced security features, computer processing, and the like; provided that in the provision of the enhanced service, no law, rule, regulation or international convention on telecommunications is circumvented or violated.

16. Working Main Lines – refer to the subscribed main telephone lines.

17. PTE – refers to public telecommunications entity as defined in RA 7925.

18. Philippine Best Practice – refers to the experience of two or three LE service operators in the context of the three-(3) Philippine markets which are most economically efficient in a specific accounting category as determined by the National Telecommunications Commission. The specific accounting category need not be sourced from the same LE service operator.

## LOCAL EXCHANGE (LE) SERVICES

a. The LE operator shall provide universal basic telephone service capable of accessing local, national, international and other networks without discrimination to all applicants for such service within its defined authorized service area/s and within the schedule duly approved by the Commission.
c. The LE operator shall comply with the service performance and technical standards specified under MC 10-17-90 and MC 10-16-90 respectively and other standards hereafter prescribed by the Commission.

d. Public telecommunications entities shall not be allowed to expand or extend long distance service directly to a person/entity, customer or end-user within the authorized LE service operator except in the following cases:

1. when the authorized LE operator is unable to provide service within the following response time:
   - Two hundred forty (240) days on the first year if the effectivity of this Circular.
   - Sixty (60) days on the second year of the effectivity of this Circular
   - Ten (10) working days thereafter.

and at standards prescribed by the Commission provided that the bypassing carrier has no unserved obligation in its assigned services areas.

2. when the authorized LE operator is unable to provide within ninety (90) days from date of agreement at prescribed standards the required interconnection arrangements.

3. when the authorized LE operator is compensated in the amount agreed by the parties. In case parties cannot reach an agreement, the matter can be brought to the Commission for final action pursuant to Rule 510. In cases when there are more than one (1) authorized LE operators in one defined geographic area, the compensation shall be divided in proportion to the number of working telephone lines of each of the authorized LE operators. The determination of the number of working lines shall be conducted quarterly.

In any of the above exceptions, the PTE shall secure prior approval from the Commission through an administrative procedure to provide direct connection to the subscribers/customer/end-users.

e. A duly enfranchised entity may be authorized by the Commission, after due notice and hearing, to install, operate and maintain a local exchange network and provide local exchange service in the same local exchange area where an existing authorized local exchange operator fail to satisfy the demand for local exchange service. The demand for local exchange service is considered satisfied when 90% of all applications for local exchange service within the last three (3) months are served within ten (10) working days from the date of application.

f. The provision on bypass shall only apply to public switched telephone services.

g. Authorized LE operators shall have the first options to provide pay telephone services in the defined geographic area covered by its network.
Other enfranchised telecommunications entities may be authorized to provide public calling stations or pay telephone stations in a given local exchange service area served by an authorized LE service operator after due notice and hearing and upon determination of public need.

h. Authorized LE operators shall be entitled to fair and equitable revenue sharing arrangement pursuant to Rule 520.

i. The LE operator shall use any cost-effective technology in fulfilling its responsibility of providing universal basic telephone service. The LE operator shall endeavor to use state of the art technology.

200 INTEREXCHANGE CARRIER (IXC) AND INTERNATIONAL CARRIER (IC) SERVICES

210 INTEREXCHANGE CARRIER (IXC) SERVICES

a. The IXCs shall interconnect with other IXCs and with local exchange carriers or other telecommunications entities on a non-discriminatory manner. The interconnection shall be effected pursuant to Rule 510.

b. The interconnect charges shall be pursuant to Rule 520.

c. The IXCs shall comply with the services performance and technical standards specified under MC 10-17-90 and MC10-16-90 respectively and other standards hereafter prescribed by the Commission.

220 INTERNATIONAL CARRIER (IC) SERVICES


b. Failure on the part of the IC or its affiliate company to install at least 300,000 local exchange lines and additional 300 local exchange lines per one international switched termination in excess of 1,000 international switch terminations and provide local exchange service within three (3) years from date of authority to provide local exchange service shall be cause for the cancellation of the authority to install, operate and maintain facilities and offer and offer international carrier services in accordance with due process.

300 MOBILE RADUI SERVICES (MRS)

310 CELLULAR MOBILE TELEPHONE SYSTEM

a. The Rules and Regulations on Cellular Mobile Telephone System (CMTS) Operations under NTC MC 20-12-92 are hereby adopted.

b. The implementation of the roll-out plans for local exchange service for all authorized nationwide and regional CMTS operators shall be reduced from five (5) to three (3) years.
c. An authorized regional or nationwide CMTS operator shall be considered to have complied with Rule 310 (b) if the conditions specified in Article II Section 5 of the Implementing Guidelines on EO 109 under NTC MC 11-09-93 series of 1993 are met.

d. An authorized CMTS operator shall comply with Article II Sections 7 and 8 of NTC MC 11-09-93 series of 1993.

e. Subscribers to the CMTS shall not be considered as LE subscribers.

f. Failure on the part of the CMTS operator to install 400,000 local exchange lines and provide local exchange service within three (3) years from date of authority to provide local exchange service shall be a cause for the cancellation of the authority to install, operate and maintain cellular mobile telephone system and offer CMTS service in accordance with due process.

320 PUBLIC REPEATER NETWORK (PRN) SERVICES


b. The service rates for public repeater network services shall be deregulated immediately.

c. At least thirty (30) days before any change, increase or decrease, in service rates, after the deregulation, are implemented, authorized PRN service providers shall publish in a newspaper of general circulation the changes in the service rates and inform all affected subscribers of said change.

d. Authorized PRN service providers shall inform the Commission in writing of any increase or decrease in service rates at least seven (7) days prior to the implementation of said changes in the service rates.

400 RADIO PAGING AND VALUR ADDED SERVICES

410 RADIO PAGING SERVICE (RPS)

a. Subject to availability of radio frequencies and prior to actual operation, a duly enfranchised radio paging entity shall register with the Commission and apply for the appropriate radio frequencies to be used in its operation.

b. The application for registration shall include documents showing, among others, system configuration, mode of operation, radio frequencies required for efficient operation, method of charging rates, etc. The application shall be acted upon by the Commission within sixty (60) days from date of application.

c. All radio paging service providers shall comply with the relevant service performance and technical standards prescribed by the Commission.

d. Effective immediately, all radio paging service providers with assigned radio frequencies shall be allowed to compete freely in their rates without prior approval from the Commission.
e. At least fifteen (15) days prior to the implementation of any change, increase or decrease, in service rates, the radio paging service providers shall publish in a newspaper of general circulation such change in the service rates and shall inform all affected subscribers.

f. All radio paging service providers shall inform the Commission in writing of any change in their services rates at least seven (7) days before said changes are implemented.

g. Subject to the availability of radio frequencies, a duly enfranchised radio paging entity may be allocated and assigned radio frequencies required for the efficient conduct of their operations upon application and clearance from interference to other authorized existing networks.

h. Authorized radio paging services providers who intend to expand their facilities and/or offer other radio paging services including international radio paging service shall submit to the Commission at least thirty (30) days prior to the commencement of the planned expansion in facilities and/or services the following documents, among others, areas to be covered by the proposed expansion, projected investments and list of capital equipment required. Approval by the Commission shall not be required.

420 VALUE ADDED SERVICES (VAS)

a. A non-PTE VAS provider shall not be required to secure a franchise from Congress.

b. A non-PTE VAS provider can utilize its own equipment capable only of routing, storing and forwarding messages in whatever format for the purpose of providing enhanced or augmented telecommunications services. It shall not put up its own network. It shall use the transmission network, toll or local distribution, of the authorized PTEs.

c. The provision of VAS shall not in any way affect the cross subsidy to the local exchange network by the international and national toll services and CMTS service.

d. Entities intending to provide value added services only shall submit to the Commission application for registration for approval. The application form shall include documents showing, among other, system configuration, mode of operation, method of charging rates, lease agreement with the PTE, etc.

e. The application for registration shall be acted upon by the Commission through an administrative process within thirty (30) days from date of application.

f. PTEs intending to provide value added services are required to secure prior approval by the Commission through an administrative process.

g. VAS providers shall comply strictly with the service performance and other standards prescribed by the Commission.

500 INTERCONNECTION AND ACCESS CHARGES
**510 INTERCONNECTION**

a. The Rules and Regulations on Interconnection under NTC MC 09-07-93 series of 1993 are hereby adopted except Section 22.5.

b. When one party to an interconnection agreement requires additional interconnecting trunks and the other party cannot provide, the former shall either advance the payment or furnish the equipment, accessories and materials necessary subject to repayment in whatever manner agreeable to the parties.

c. To the maximum practical extent, the Commission encourages the use of co-location of and shared facilities between carriers when such configurations shall best serve public interest.

d. The parties to an interconnection agreement shall route the calls to the nearest point of interconnection. In case the shortest route is congested, the call may be routed to other points of interconnection subject to network configuration, The rate shall be based on the lowest cost.

**520 ACCESS CHARGES**

**GENERAL**

a. Until the local exchange service is priced reflecting actual costs, the local exchange service shall be cross-subsidized by other telecommunications service.

b. The allocation of the local exchange carrier costs to all interconnect services including those offered by the same company operating the LE service shall be charged against the international and domestic toll and CMTS interconnect services.

c. The subsidy needed by the LE service operator to earn a rate of return at parity with the other segments of telecommunications industry shall be charged against the international and domestic toll and CMTS interconnect services.

d. The Cost Manual shall follow the accounting structure based on the applicable provisions of US Federal Communications Commission (FCC) Part 36 as modified to conform with the provisions of this Circular.

e. Provision for doubtful accounts (as used in general accounting) shall not be included in the costs.

f. Only taxes actually incurred shall be included in the costs.

g. The access charge shall be negotiated by the interconnecting parties. In the event the parties cannot arrive at an agreement, either or both parties can bring the matter before the Commission for final action pursuant to NTC MC 09-07-93.

h. Interconnecting parties shall strictly adhere to the herein prescribed guidelines.
i. The cost manual shall be submitted to the Commission not later than 31st of July of each year for approval. In approving the cost manual, the Commission shall consider efficiency and the “Philippine Best Practice”.

j. The interconnection between CMTS and local exchange network for purposes of calculating the access charge shall be considered domestic toll interconnect.

k. Reappraisal of plant and facilities in service shall be duly approved by the Commission after due notice and hearing.

l. Actual costs and all accounting charges for provisioning of services and interconnection shall be non-discriminatory, transparent, de-averaged by time of day and unbundled, and subject to review by the Commission.

m. Interconnection charges shall be composed of the access charge and the subsidy. For the purpose of calculating the subsidy, the local exchange networks shall be classified into three (3), to wit: Metro Manila, Highly Urbanized Cities as defined by law and others.

n. Interconnection charges shall accrue only on completed calls.

COST SEPARATION

o. A LE service provider operating other telecommunications services shall separate the cost at discrete and recognizable point(s) of demarcation for each of the services it offers to determine the cost of the local exchange service.

p. Direct assignment of costs to each service category when possible will be made.

q. Actual costs basis of separation which gives consideration to relative usage/circuit occupancy of services for traffic related costs should be used.

r. Cost of customer billing of toll services shall be allocated fully to the local exchange service.

s. Cost of marketing and advertising shall not be allocated to the local exchange service.

ALLOCATION OF COST

t. The local exchange service costs shall be shared by the interconnect services as follows:

  ● The cost allocated/charged to the local exchange service shall be equivalent to the local exchange service gross revenue plus the revenues derived from the interconnection services other than international and domestic toll and CMTS.

  ● The cost allocated/charged to the interconnection services other than domestic and international toll and CMTS shall be based on the actual cost of interconnection.

  ● The cost allocated/charged to the international and domestic toll and CMTS interconnect service shall be
divided into two components, to wit: access charge and subsidy. The access charge shall be based on the actual cost of interconnection while the subsidy shall be equal to the revenue required by the LE operator to earn rate of return at parity with those earned by other segments of the telecommunications industry.

- Interconnection service shall also include all telecommunications services offered by the PTE interconnected to the local exchange network operated by the same PTE.

INTERCONNECTION OF LOCAL EXCHANGE NETWORKS

u. There shall be no access charges to be paid by either party in the interconnection of local exchange networks operating in a given local exchange service area of the monthly local exchange service rate is fixed and that the local exchange service operators do not discriminate applicants for local exchange service.

v. In the event that in any given local exchange service area there are a mixture of fixed and measured rates, the local exchange service operators thereat shall negotiate for the access charge. In the event that the parties cannot agree, the matter may be brought to the Commission for final action pursuant to MC 09-07-93.

w. In the negotiation between the LE service operators, the cost of investments shall be considered.

600 RADIO SPECTRUM

a. The radio spectrum allocation and assignment shall be subject to review in the interest of public service and in order to keep pace with the development in the wireless technology with the end in view of insuring wider access to the limited radio spectrum and the use of cost effective technology.

b. The Commission shall create a Radio Frequency Consultative Committee (RFCC) composed of one (1) representative each from PAPTELCO, PETEF, KBP, IC, CMTS Operator, TELEBAP, Public Repeater Network Service Operator, Radio Paging Service Operators, Radio Dealers Group, TUG Phil. Two (2) from DOTC and four (4) from the Commission one each from RRLD, CCAD, BSD and FMD to be chaired by the Chief, FMD.

c. The RFCC shall recommend to the Commission guidelines that will cover the following concerns within thirty (30) days from the effectivity of this Circular:
   - the procedure on how to undertake the review and allocation of the radio spectrum taking into consideration
the need to provide universal access to basic telephone service.

- the transfer of all authorized and existing users in the band allocated pursuant to Rule 600 (a) to other bands of radio frequencies.
- how the cost of the transfer of the authorized and existing users to other frequency bands shall be shared by the new assignees.
- the manner of calculating the cost of the transfer.
- the procedure on how to calculate the reasonable spectrum users fees and the amount to be paid for the use of the spectrum.
- The determination of situations where the demand for a particular radio frequency band exceeds availability and the manner by which spectrum shall be bidded out in case the demand for a specific band of radio frequencies exceeds availability.

700 RATES AND TARIFF

a. The Commission shall reestablish rates and tariff setting procedures in order to arrive at rates and tariffs which are fair and reasonable and which provide for the economic viability of telecommunications entities and a fair return on investments considering the prevailing cost of capital in the domestic and international markets.

b. The Commission may after consultation with the industry and the users deregulate the rates for specific telecommunications services if there is sufficient competition to ensure fair and reasonable rates and tariff. However, in determining whether or not service rates for a specific telecommunications service is to be deregulated, the Commission shall take into consideration the need to cross-subsidize the local exchange service until such time that the local exchange service is priced to reflect actual cost.

c. Promotional or special rates lower than the duly approved rates for a period not exceeding fifteen (15) days shall not require approval by the Commission. The PTE offering the promotional or special rates shall inform the Commission in writing at least two (2) days prior to the implementation of said promotion. The total period for promotional or special rates for one calendar year shall not exceed 30 days.

d. Promotional or special rates lower than the duly approved rates for a period exceeding fifteen (15) days shall be considered reduction in rates. After the period of promotional or special rates, the PTE shall charge the duly approved rates.

e. Reduction in rates shall be acted upon by the Commission through an administrative process involving the mere submission of documentation in
support thereof. The Commission shall act on all applications for rates reduction within seven (7) working days from date of application.

f. Any increase in service rates shall be filed in a separate application and shall undergo quasi-judicial proceedings.

g. The Commission may grant provisional authority (PA) to charge increase in service rates immediately upon filing and compliance with jurisdictional requirements of publication and notice to affected parties provided that all documents required to justify the increase is submitted and that a formal hearing must be held within thirty (30) days from the grant of the PA.

h. Rates for the rental or lease of terminal equipment interconnected to the public telecommunications networks shall not require the approval of the Commission.

i. All entities operating telecommunications services with deregulated rates shall submit to the Commission monthly list of their service rates showing increases or decreases.

j. In approving rates, the Commission shall consider the subsidy paid to the LE service operators by the operators of CMTS, national and international toll services.

800 CONSUMERS AND END USERS, AND EXPANSION AND/OR MODERNIZATION OF EXISTING FACILITIES

810 CONSUMER AND END-USERS

RIGHTS AND RESPONSIBILITIES

a. Customer or end-users shall be provided with telecommunications services strictly within prescribed service performance standards.

b. Applicants for basic telephone service shall be served on first come first served basis. Provided, that an applicant without any telephone service as yet, shall have the priority over applicants with existing telephone service.

c. Applications for residential or business telephone service shall be treated equally. Priority shall be given to the provision of basic telephone service to those performing security, safety, and emergency functions, e.g. hospitals, military, police and fire departments.

d. Customer or end-user shall be responsible for all calls originating and terminating in his own terminal equipment. All calls originating and terminating in his own terminal equipment shall be billed against said terminal equipment. If the customer or end-user contests the bill, the demanding carrier shall provide all information necessary to establish when, where and to whom the calls were made.

e. Monthly billings shall be received by the customer or end-user within fifteen (15) days after the billing cycle.

f. Billings for services rendered other than the local telephone service shall be served to the customer or end-user within one hundred eighty (180)
days from the date the alleged services were delivered. Failure on the part of the PTE to serve the bill within the specified period, said PTE shall be subject to sanctions pursuant to law, rules and regulations.

g. The customer or end-user may participate in the monitoring of the compliance by the PTEs of the prescribed standards and of the approved roll-out plans. The customers or end-users cannot interfere with the arbitration or litigation of complaints filed before the Commission if not directly involved.

h. If a subscriber for telephone service requires ten (10) or more lines he/she is encouraged to use private branch exchanges (PBX) or key telephone system.

**COMPLAINTS**

a. The PTEs shall inform all its subscribers of the person or office and the telephone numbers within its organization where its subscribers can file or phone in their complaints and act on all complaints received in whatever form and manner from its subscribers within thirty (30) days from receipt of the complaint. The office and the telephone numbers where the customers or end-users can file or phone in their complaints must be printed in the monthly bill sent to the customers or end-users.

b. Complainants who are not satisfied with the action of the PTE may bring the matter to the Commission.

c. Complaints received by the Commission shall be acted upon within thirty (30) days from receipt. Within fifteen (15) days from receipt of the complaint, the Commission shall call the parties for a conference. If within thirty (30) days the matter cannot be settled amicably, the complaint shall be forwarded to the Legal Department for appropriate legal action.

d. For billing complaints filed with the Commission, the customer or end-user shall not be required to deposit the amount contested. The PTE may temporarily suspend the service (s) to the customer or end-user, subject to review by the Commission. If the Commission finds the suspension of service to be unwarranted, the service shall be restored immediately without any charges and the Commission may impose sanctions against the PTE pursuant to law, rules and regulations.

e. The PTEs shall submit a monthly report on all complaints within fifteen (15) days after the end of each month detailing the nature of complaints, the action taken thereon including the reasons for the action and the response time.

**820 CUSTOMER PREMISES EQUIPMENT**

820 EXPANSION AND/OR MODERNIZATION

a. Expansion and upgrading of existing and previously approved plant and facilities for purposes specified in RA 7925 within the same areas covered by the existing plant and facilities previously approved shall not require approval by the Commission.

b. Any financing arrangement for the purpose specified in Rule 830 (a) including increase of capital shall not require approval by the Commission.

c. The PTE who wishes to expand and/or upgrade its existing or previously approved plant and facilities within the same approved area shall submit to the Commission its planned expansion and/or upgrading, the timetable of implementation and the amount needed to carry out such expansion and/or upgrading thirty (30) days prior to the commencement of the projects.

d. PTEs undertaking expansion and upgrading of facilities shall submit a quarterly report on the status of the project implementation incorporating therewith the list of equipment, materials and accessories and the amount actually invested.

900 OTHER REGULATIONS

910 STANDARDS

a. In prescribing standards, the Commission shall consider internationally recommend standards.

b. Standards set by international organizations through a convention or treaty to which the Philippines is a party shall form part of the national standards.

920 CABLE TELEVISION (CATV)

a. Cable TV operations shall be governed by EO 205 series of 1987. If CATV operators offer public telecommunications services they be treated just like a public telecommunications entity.

930 IN CASE OF MERGERS/ACQUISITIONS OF CMTS/IC

a. The surviving entity in case of mergers or the entity that acquires a CMTS or IC shall assume all local service obligations of the CMTS/IC merged or acquired.

940 OTHERS

a. Call back, dial back and other similar scheme, which results in the same prohibited operation, is not and will not be authorized.
b. Resale of private leased lines is prohibited and will not be authorized.

TRANSITORY PROVISIONS

a. PTEs with franchise granted by local government units which have been duly authorized by the Commission on or before 22 March 1995 with either a CPCN or a PA shall continue to provide services until the expiration of their respective franchises or until their respective CPCNs or Pas are sooner revoked or cancelled.

b. Valid and existing franchises which are not operating or without pending applications for certificates of public convenience and necessity at the time of the effectivity of RA 7925 (effectivity date is 23 March 1995) are deemed revoked.

IN CASE OF NULLITY IN ANY OF THE PROVISIONS

a. If, for any reason, any provision, section, subsection, sentence, clause or term of this Circular is held to be unconstitutional or declared void by a competent court, such decision shall not affect the validity of the other provisions of this Circular.

EFFECTIVITY

a. This Circular may be revised, amended or repealed as the Commission deems fit in accordance with law and shall take effect within fifteen (15) days after publication in the Official Gazette or in a newspaper of general publication and the filling with the University of the Philippines Law Center three (3) certified copies of every rule adopted by it.

Quezon City, Philippines September 25, 1995.

(Signed)

SIMEON L. KINTANAR
Commissioner