

ESTABLISHING BASIC POLICIES FOR THE TELEPHONE INDUSTRY, AMENDING FOR THE PURPOSE THE PERTINENT PROVISIONS OF COMMONWEALTH ACT 146, AS AMENDED, OTHERWISE KNOWN AS THE PUBLIC SERV...

PRESIDENTIAL DECREE NO. 217, June 16, 1973

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WHEREAS, telephone service is a crucial element in the conduct of business activity, the availability of which on a regular and uninterrupted basis is essential for the smooth and efficient functioning of industry;

WHEREAS, efficient telephone service contribute directly to national development by facilitating trade and commerce;

WHEREAS, the telephone industry is one of the most highly capital intensive industries;

WHEREAS, the telephone industry has fundamentally different financing characteristics from other utilities in that capital requirements per telephone unit installed increase as the number of customers serviced also increases instead of decreasing in cost per unit as in power and water utilities;

WHEREAS, continued reliance on the traditional sources of capital funds through foreign and domestic borrowing and through public ownership of common capital stock will result in a high cost of capital, heavy cash requirements for amortization and thus eventually in higher effective cost of telephone service to subscribers;

WHEREAS, the subscribers to telephone service tend to be among the residents of urban areas and among the relatively higher income segment of the population;

WHEREAS, it is in the interest of the national economy to encourage savings and to place these savings in productive enterprises; and

WHEREAS, it is the announced policy of the Government to encourage the spreading out of ownership in public utilities;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, do hereby decree and adopt, as part of the law of the land the following:

SECTION 1. It is declared that in the interest of the social, economic and general well-being of the people, the State hereby adopts the following basic policies of the telephone industry:

- The attainment of efficient telephone service for as wide an area as possible at the lowest reasonable cost to the subscriber;
- The expansion of telephone service shall be financed through an optimal combination of domestic and foreign sources of financing and an optimal combination of debt and equity funds so as to minimize the aggregate cost of

capital of telephone utilities;

- Consistent with the declared policy of the State to attain widespread ownership of public utilities, the capital requirements of telephone utilities obtained from ownership funds shall be raised from a broad base of investors, involving as large a number of individual investors as may be possible;

- In line with the objective of spreading ownership among a wide base of the people, the concept of telephone subscriber self-financing is hereby adopted whereby a telephone subscriber finances part of the capital investments in telephone installations through the purchase of stocks, whether common or preferred stock, of the telephone company;

- As part of any subscriber self-financing plan, when the issuance of preferred capital stock is contemplated, it is required that the subscriber be assured, in all cases of a fixed annual income from his investment and that these preferred capital stocks be convertible into common shares, after a reasonable period and under reasonable terms, at the option of the preferred stockholder; and

- In any subscriber self-financing plan, the amount of subscriber self-financing will, in no case, exceed fifty per centum (50%) of the cost of the installed telephone line, as may be determined from time to time by the regulatory bodies of the State.

SEC. 2. The Department of Public Works, Transportation and Communications through its Board of Communications and/or appropriate agency shall see to it that the herein declared policies for the telephone industry are immediately implemented and for this purpose pertinent rules and regulations may be promulgated.

SEC. 3. The pertinent provisions of the Public Service Act, as amended, the franchise of the Philippine Long Distance and Telephone Company under Act 3436, as amended, all existing legislative and/or municipal franchises and other laws, executive orders, proclamations, rules and regulations or parts thereof, as are in conflict with the provisions of this Decree are hereby repealed or modified accordingly.

SEC. 4. This Decree shall take effect immediately.

Done in the City of Manila, this 16th day of June, in the year of Our Lord, nineteen hundred and seventy-three.

(Sgd.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(Sgd.) ROBERTO V. REYES
Assistant Executive Secretary

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