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House of Representatives  
Republic of the Philippines

22 August 2022

House of Representatives  
Hon. Ferdinand Martin G. Romualdez  
Office of the Secretary

**HON. MARTIN G. ROMUALDEZ**  
Speaker  
House of Representatives  
Batasan Complex, Quezon City

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Received by

JAYSON GUDARDO 2:22 pm

Dear Speaker Romualdez,

I write on behalf of my constituents and concerned citizens about the looming House investigation which may result in the derogation of press freedom and free speech – the bedrock of democratic governments.

I refer to the recently announced transaction between TV5 Network, Inc. and ABS-CBN Corporation which has generated baseless innuendoes which must be clarified and corrected.

First, the deal is not a merger where one entity absorbs another or two entities fuse to form a new one as defined by the "Philippine Competition Act" or R.A. No. 10667. TV5 and ABS-CBN remain separate and independent juridical entities.

Neither does "acquisition" obtain as defined in Section 4 of the "Philippine Competition Act" because ABS-CBN does not acquire control of TV5.

Second, the contract is an investment agreement wherein ABS-CBN invests in TV5 by putting in Php 2.61 billion in exchange for 34.99% of TV5's voting stock; and an additional Php 1.84 billion in Convertible Notes which can be exchanged for additional voting shares only after eight (8) years, and will increase ABS-CBN's stake in TV5 to only 49.92% or less than a controlling absolute majority, and this is still inchoate and subject to requisite approvals.

Third, there is no franchise issue. Section 10 of TV5's renewed franchise under R.A. No. 11320 is not violated by the transaction because there is no sale, lease, transfer, or grant of the usufruct or assignment of TV5's franchise to ABS-CBN. Moreover, there is no merger or transfer of controlling interest in TV5.

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Fourth, the transaction of Php 4.45 billion is less than the transaction value threshold of Php 50 billion under the "Bayanihan to Recover as One Act" or R.A. No. 11494. Consequently, the said transaction is exempt from the compulsory notification and approval by the Philippine Competition Commission.

Fifth, Memorandum Order No. 003-06-2022 of the National Telecommunications Commission is constitutionally infirm, arbitrary, and vague for the following reasons:

1. It violates the constitutional right of TV5 and ABS-CBN to enter into a contract which is not contrary to law, morals, good customs, public order, or public policy. There is no rhyme nor reason to disqualify an entity from contracting simply because it has "outstanding obligations" to the government.

2. The NTC Memorandum is a usurpation of legislative power. It adds and imposes a restriction on a franchisee like TV5 which is not in its legislative franchise.

3. The NTC Memorandum is arbitrary because it discriminates against entities which have "outstanding obligations to the national and local governments". It is also akin to class legislation which infringes on the Constitution.

4. The NTC Memorandum is vague because it lacks the requisite standards for determining what is the nature, extent, and status of the so-called "outstanding obligations".

Sixth, the TV5/ABS-CBN transaction enhances fair competition in the television and broadcast industry.

Without a franchise, ABS-CBN ceased to be a major player in the industry. TV5 has not achieved major player status. One television network presently dominates the industry. With the recent infusion of ABS-CBN investment in TV5, the playing field approximates leveling.

Healthy competition will ensue as networks would compete for revenues and viewership. Competition also improves quality of shows, news coverage, commentary, and entertainment. Not even the current dominant network expresses opposition to the transaction.



Seventh, in the subject joint venture agreement, ABS-CBN, which does not have a franchise, creates and produces content while TV5, which has the franchise, broadcasts the shows.

Mr. Speaker, there is absolutely nothing wrong with that arrangement. What is definitely errant is when authorities trample on the freedom of expression and of the press.

Thank you for your kind attention and appropriate action.

Very truly yours,



**EDCEL C. LAGMAN**