



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
Third Regular Session

House Bill No. 10149



Introduced by Representative Junie E. Cua
Lone District, Quirino

EXPLANATORY NOTE

In a 2011 article of Oxford Economics, it found that the Philippine aviation industry not only contributes to Philippines' GDP and employment rate, but more importantly, it is vital to Philippines' long-term success in global markets. The connectivity it provides boosts Philippines' productivity and tourism from which several businesses in the Philippines rely on.¹

This bill seeks to renew the franchise to establish, operate and maintain domestic and air transport services of one of the country's major domestic air carriers, Air Philippines Corporation.

Air Philippines Corporation is an airline company that was incorporated on February 13, 1995 and has been in operations since 1996. It operates in four domestic hubs which are Manila, Cebu, Clark and Davao. It has a wide domestic network that serves not only trunk routes but also missionary and secondary routes to smaller community airports across the archipelago. It also serves the crucial role of flying intra-regional routes in the Visayas and Mindanao that may not be able to accommodate jet aircraft.

Air Philippines Corporation has proven its adherence to government's policy when it moved several of its flights from Manila to Clark in 2016 to decongest Manila. It has even expanded its domestic network there in 2018 by launching routes such as Clark to San Vicente, Naga, Siargao, Basco, Busuanga, Catarman, Caticlan (Boracay) Calbayog, Antique, Tuguerarao, Surigao, Cagayan de Oro, Davao and Cebu. Air Philippines Corporation has likewise proven its capability to develop the Philippines' global connectivity by launching flights to China, Dubai, Korea, Malaysia, and Saipan thereby connecting Filipinos to their work and their family.

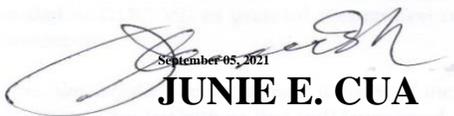
Compared to its competitors who also hold legislative franchises, Air Philippines Corporation provides full-service to its passengers providing not only comfort but vital services such as stretcher services for medical passengers for most of its jet aircraft routes.

¹ <https://www.iata.org/policy/Documents/Benefits-of-Aviation-Philippines-2011.pdf>

Despite the COVID19 pandemic, which is undermining the existence of the aviation industry, Air Philippines Corporation continues to provide air transport services. With a sizeable fleet of 37 aircraft consisting of 19 turboprops and 16 jets, it serves 32 domestic destinations namely: Antique, Bacolod, Basco, Busuanga, Butuan, Cagayan de Oro, Calbayog, Camiguin, Catarman, Caticlan, Cebu, Clark, Cotabato, Davao, Dipolog, Dumaguete, General Santos, Iloilo, Kalibo, Laoag, Legazpi, Manila, Ozamiz, Roxas, Pagadian, Puerto Princesa, San Vicente, Siargao, Tacloban, Tagbilaran, Tawi-Tawi, and Zamboanga, for transporting passengers, including those locally stranded due to travel restrictions, and for transporting cargo, such as vaccines, under the health-safety protocols set by the industry and relevant government agencies.

Air Philippines Corporation seeks to further promote the Philippines domestically and internationally to support the economy and the tourism industry. In partnership with government agencies such as the Department of Tourism and with academic institutions, it has a joint-venture with a European tech company which developed an online travel marketplace, Guide to the Philippines, that aims to be the definitive source of information for everything about travel in the Philippines and the most comprehensive site for booking tour packages, hotel accommodations, and transport services.

Air Philippines Corporation's air network, essential services and contribution to the economy are valuable to the country. To support the continued operations of Air Philippines Corporation, the approval of this bill is sought.


September 05, 2021
JUNIE E. CUA
RMB



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AN ACT
RENEWING FOR ANOTHER TWENTY-FIVE YEARS THE FRANCHISE
GRANTED TO AIR PHILIPPINES CORPORATION (AIR PHILIPPINES) UNDER
REPUBLIC ACT NO. 8339, AS AMENDED BY REPUBLIC ACT NO. 9215,
ENTITLED “AN ACT GRANTING AIR PHILIPPINES CORPORATION (AIR
PHILIPPINES) A FRANCHISE TO ESTABLISH, OPERATE AND MAINTAIN
DOMESTIC AND INTERNATIONAL AIR TRANSPORT SERVICES”

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

- 1 SECTION 1. *Nature and Scope of Franchise.* — Subject to the provisions of the
2 Constitution and applicable laws, rules and regulations, the franchise granted to Air
3 Philippines Corporation, hereunder referred to as the Grantee, its successor or assignees,
4 under Republic Act No. 8339 as amended by Republic Act No. 9215, to to establish,
5 operate and maintain transport services for the carriage of passengers, mail, goods and
6 property by air, domestic and international, is hereby renewed for another twenty-five
7 (25) years.
- 8 Air transport services shall include the maintenance and operation of hangars and
9 aircraft service stations and facilities and other services of similar nature which may be
10 necessary convenient or useful as an auxiliary to aircraft transportation.
- 11 The Grantee shall have the right at its terminal and landing fields, as well as in its
12 aircraft, to construct, operate and maintain stations or transmitting sets for wireless
13 telegraphy and direction findings, and other radio aids to air navigation, using
14 wavelengths in accordance with the rules and regulations made from time to time by
15 the proper agencies of the government. The wireless communication facilities shall be
16 used solely for receiving and transmitting weather forecasts and other matters in
17 connection with the Grantee's services.

1 SECTION 2. *Authority of the Civil Aeronautics Board and Civil Aviation Authority of*
2 *the Philippines.* — The grantee shall secure from the Civil Aeronautics Board (CAB)
3 and from the Civil Aviation Authority of the Philippines (CAAP) the appropriate
4 permits and licenses for its operations.

5 All aircraft used by the Grantee including their accessories and equipment shall at all
6 times be airworthy and the crew members shall be licensed by the Government of the
7 Philippines. They shall be equipped with radio communications, safety and other
8 equipment and shall be operated and maintained in accordance with the regulations and
9 technical requirements of the CAAP or such other regulatory bodies the government
10 may prescribe for this purpose.

11 The Grantee's equipment and the operation of such equipment shall at all times be
12 subject to inspection and regulation by the CAAP.

13 The Grantee shall comply with the provisions of Republic Act Numbered Seven
14 Hundred and Seventy-Six (R.A. No. 776), otherwise known as the "Civil Aeronautics
15 Act of the Philippines," and the regulations promulgated thereunder from time to time.

16 SECTION 3. *Responsibility to the Public.* — Excepting cases of force majeure and
17 whenever weather conditions permit, the Grantee shall maintain scheduled or non-
18 scheduled or chartered air transport services to any and all points and places throughout
19 the Philippines and between the Philippines and other countries at such frequencies as
20 traffic needs may require: Provided, however, That at least twenty-five percent (25%)
21 of all its frequencies shall be for the domestic market.

22 SECTION 4. *Rates for Services.* — The Grantee shall fix just and reasonable rates for
23 the transportation of passengers, mail, goods and freight, subject to the regulations and
24 approval of the CAB and other proper regulatory agencies of the government.

25 SECTION 5. *Term of Franchise.* — This franchise shall be for a term of twenty-five
26 (25) years from the date of effectivity of this Act, unless sooner revoked or cancelled.
27 This franchise shall be deemed *ipso facto* revoked in the event the Grantee fails to
28 operate continuously for two (2) years; and

29 SECTION 6. *Landing Facilities.* — The Grantee may use the landing and other airport
30 facilities on land and water as may be maintained or owned by the government within
31 the Philippines on the Grantee's lines subject to such terms and conditions, restrictions
32 and national policy considerations as the Philippine Government may impose:
33 Provided, That the Philippine Government shall have the right to use the landing and
34 other airport facilities as may be maintained or owned by the Grantee in the Philippines.

35 SECTION 7. *Contracts.* — The Grantee is authorized to enter into transportation
36 contracts with the Philippine Government, including the carrying of mail, upon such
37 terms and conditions as may be mutually agreed upon. The Grantee shall give
38 preferential consideration to contracts with the Philippine Government. The Grantee
39 may likewise enter into transportation maintenance and/or servicing contracts, and such

1 other contracts relating to air transport with other foreign-owned airlines particularly
2 with those which have international routes.

3 SECTION 8. *Right of Government.* — A special right is hereby reserved to the President
4 of the Philippines, in times of war, rebellion, public peril, calamity, emergency, disaster
5 or disturbance of peace and order, to temporarily take over and operate the facilities or
6 equipment of the Grantee, to temporarily suspend the operation of any facility or
7 equipment in the interest of public safety, security and public welfare, or to authorize
8 the temporary use and operation thereof by any agency of the government, upon due
9 compensation to the Grantee, for the use of said facilities or equipment during the period
10 when they shall be so operated.

11 SECTION 9. *Warranty in Favor of National and Local Governments.* — The Grantee
12 shall hold the national, provincial, city and municipal governments of the Philippines
13 free from all claims, liabilities, demands or actions arising out of accidents causing
14 injury to persons or damage to property during the operation of the services under the
15 franchise.

16 SECTION 10. *Commitment to Provide and Promote the Creation of Employment*
17 *Opportunities.* — The Grantee shall create employment opportunities and shall allow
18 on-the-job trainings in their franchise operation: Provided, That priority shall be
19 accorded to the residents where their principal office is located: Provided, further, That
20 the Grantee shall follow the applicable labor standards and allowance entitlement under
21 existing labor laws, rules and regulations and similar issuances.

22 The employment opportunities or jobs created shall be reflected in the General
23 Information Sheet (GIS) to be submitted to the Securities and Exchange Commission
24 annually.

25 SECTION 11. *Sale, Lease, Transfer, Usufruct, or Assignment of Franchise.* — The
26 Grantee shall not lease, transfer, grant the usufruct of, sell nor assign this franchise or
27 the rights and privileges acquired thereunder to any person, firm, company, corporation
28 or other commercial or legal entity, nor merge with any other corporation or entity, nor
29 shall the controlling interest of the Grantee be transferred, simultaneously or
30 contemporaneously, to any such person, firm, company or entity without the prior
31 approval of the Congress of the Philippines: The Grantee shall inform the Congress
32 through the Office of the Speaker of the House of Representatives and Office of the
33 Senate President, of any sale, lease, transfer, grant of usufruct, or assignment of
34 franchise or the rights and privileges acquired thereunder, or the merger or transfer of
35 the controlling interest of the Grantee, within sixty (60) days after the completion of
36 said transaction. Failure to report to Congress such change of ownership shall render
37 the franchise ipso facto revoked. Any person or entity to which this franchise is sold,
38 transferred, or assigned shall be subject to the same conditions, terms, restrictions, and
39 limitations of this Act.

40 SECTION 12. *Dispersal of Ownership.* — In accordance with the Constitutional
41 provision to encourage public participation in public utilities, the Grantee shall offer to

1 Filipino citizens at least thirty percent (30%) of its outstanding capital stocks, or a higher
2 percentage that may hereafter be provided by law, in any securities exchange in the
3 Philippines within five (5) years from the effectivity of this Act: Noncompliance
4 therewith shall render the franchise ipso facto revoked.

5 SECTION 13. *Reportorial Requirement.* — The Grantee shall submit an annual report
6 on its compliance with the terms and conditions of the franchise and on its operations
7 to the Congress of the Philippines, through the Committee on Legislative Franchises of
8 the House of Representatives and the Committee on Public Services of the Senate, on
9 or before April 30 of every year during the term of its franchise.

10 The annual report shall include an update on the commencement of activities,
11 development, operation, and expansion of business; audited financial statements; latest
12 GIS officially submitted to the SEC, if applicable; certification of the CAB and CAAP
13 on the status of its permits and operations; and an update on the dispersal of ownership
14 undertaking, if applicable.

15

16 The reportorial compliance certificate issued by Congress shall be required before any
17 application for permit or certificate is accepted by the CAB and CAAP.

18 SECTION 14. *Fine.* – Failure of the Grantee to submit the requisite annual report to
19 Congress shall be penalized by a fine of Five hundred pesos (P500.00) per working day
20 of noncompliance. The fine shall be collected separately from the reportorial penalties
21 imposed by the CAB, and it shall be remitted to the Bureau of the Treasury.

22 SECTION 15. *Equality Clause.* — In the event that any other individual, partnership or
23 corporation authorized to operate air transport services receives or enjoys or shall
24 receive similar permit or franchise with terms, provisions and/or privileges more
25 favorable than those herein granted or which tend to place the herein Grantee at any
26 disadvantage, then such terms and/or provisions shall be deemed part hereof and shall
27 operate equally in favor of the herein Grantee.

28 SECTION 16. *Repealability and Non-exclusivity Clause.* — This franchise shall be
29 subject to amendment, alteration or repeal by the Congress when the public interest so
30 requires. This franchise shall not be interpreted to mean as an exclusive grant of the
31 privileges herein provided for.

32 SECTION 17. *Separability Clause.* — If any of the sections or provisions of this Act is
33 held invalid, all the other provisions not affected thereby shall remain valid.

34 SECTION 18. *Repealing Clause.* - All laws, decrees, orders, resolutions, instructions,
35 rules and regulations, and other issuances or parts thereof which are inconsistent with
36 the provisions of this Act are hereby repealed, amended, or modified accordingly.

37 SECTION 19. *Effectivity.* — This Act shall take effect fifteen (15) days from the date
38 of its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,