

REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
Third Regular Session

House Bill No. 10374



Introduced by Rep. Carmelo B. Lazatin II

**AN ACT
CREATING THE PHILIPPINE AIRPORTS AUTHORITY, DEFINING ITS POWERS,
FUNCTIONS AND RESPONSIBILITIES, PROVIDING FUNDS THEREFOR, AND FOR
OTHER PURPOSES**

Explanatory Note

The Philippines has 85 airports nationwide, twelve (12) of which are classified as international airports under the new system of classification instituted by the Civil Aviation Authority of the Philippines (CAAP).¹ Only airports owned by the national government are classified by the CAAP; the vast majority of minor aerodromes around the country are not owned by the national government and remain unclassified under the new scheme. Under the scheme, all domestic airports in the country are under the operational and supervisory control of CAAP pursuant to Republic Act No. 9497, while the international airports are governed by specific authorities and/or corporation created by law for the purpose.

Among others, the Manila International Airport Authority (MIAA) was originally created pursuant to Executive Order No. 778, as amended, and exercises jurisdiction over the Ninoy Aquino International Airport. The Clark International Airport is operated and managed by the Clark International Airport Corporation created by virtue of Executive Order 193. On the other hand, the Mactan-Cebu International Airport is under the operational and supervisory control of the Mactan-Cebu International Airport Authority in accordance with Republic Act No. 6958.

Currently, there is a need to upgrade existing international and domestic airports, and air navigation facilities in the country to comply with international standards of airport accommodation and services, and to meet the present and future air traffic and aviation services demands in the country. Studies have indicated that the objectives of providing high standards of accommodation and service within the context of a financially viable operation will best be achieved by a separate and autonomous regulatory body.

This bill seeks to ensure an integrated manner of operating international and domestic airport terminals in the country, and to avoid conflicting policies and programs on airport maintenance,

operation and development, as well as flight operations, through the creation of a Philippine Airports Authority to handle the operations of all international and domestic airports in the country.

In addition, the bill will address the inherent conflict of interest existing under the current mandate of the CAAP where it acts as a regulatory body of the aviation industry and the operator of airports in the country.

In view of the foregoing, the early passage of this bill is earnestly sought.


Carmelo B. Lazatin II
First District, Pampanga

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Be it enacted by the House of representatives and the Senate of the Philippines in congress assembled:

SECTION 1. Title. - This Act shall be known as the "Philippine Airports Authority Act of 2021".

SECTION 2. Definition of Terms. - For purposes of this Act, the following shall mean:

- (a) "Authority" - shall refer to the Philippine Airports Authority.
- (b) "Aircraft" - any machine that can derive support in the atmosphere from the reactions of the air other than the reactions of the air against the earth's surface. The term, when used in this Act, shall refer to a civil aircraft only and will not include State or public aircraft.
- (c) "Airport" - shall refer to a defined area on land or water, including any building, installation, facilities and equipment, intended to be used either wholly or in part for the arrival, departure and surface movement of an aircraft. The term, when used in this Act, shall include all domestic and international airports in the country.
- (d) "Board" - shall refer to the Board of Directors of the Authority.

SECTION 3. Creation of the Philippine Airports Authority. - There is hereby established a body corporate to be known as the Philippine Airports Authority, hereinafter referred to as the Authority, which shall be attached to the Department of Transportation (DOTr) and shall be headed by a General Manager as Chief Executive Officer of the Authority. The Authority may establish such offices, branches, agencies or subsidiaries as it may deem proper and necessary to administer and operate all domestic and international airport terminals in the country: Provided, That the establishment of a subsidiary shall have the prior approval of the President of the Philippines.

SECTION 4. Purposes and Objectives. - The Authority shall have the following purposes and objectives:

- (a) To help encourage and promote domestic and international air traffic in the Philippines as a means of accelerating the development of aviation, as a means of transportation in the country, as well as making the Philippines a center of international trade and tourism;
- (b) To formulate and adopt, for application in all domestic and international airport terminals in the country, internationally acceptable standards of airport accommodation and service;
- (c) To upgrade and provide safe, efficient, and reliable airport facilities for domestic and international air travel; and
- (d) To encourage, whenever viable and advantageous to national interest, the participation of the private sector in the development and operations of airports throughout the country in accordance to RA 6957.

SECTION 5. Functions, Powers and Duties of the Authority. - The Authority shall have the following functions, powers and duties:

- (a) To formulate, in coordination with the Civil Aviation Authority of the Philippines (CAAP), independent airport authorities and other appropriate government agencies, a comprehensive and integrated policy and program for all domestic and international airport terminals in the country, and to implement, review and update such policy and program periodically;
- (b) To control, supervise, construct, maintain, operate and provide such facilities and services as shall be necessary for the safe and efficient functioning of all domestic and international airport terminals in the country;
- (c) To promulgate rules and regulations governing the planning, development, maintenance, operation and improvement of domestic and international airport terminals in the country, and to control and/or supervise, as may be necessary, the construction of any structure or the rendition of any service within all domestic and international airport terminals;
- (d) To sue and be sued in its corporate name;
- (e) To adopt and use a corporate seal;
- (f) To succeed by its corporate name;
- (g) To adopt its by-laws, and to amend or repeal the same from time to time; h) To execute or enter into contracts of any kind or nature;
- (h) To acquire, purchase, own, administer, lease, mortgage, sell or otherwise dispose of any land, building, airport facility, or property of whatever kind and nature, whether movable or immovable, or any interest therein;
- (i) To exercise the power of eminent domain in the pursuit of its purposes and objectives;
- (j) To levy, and collect dues, charges, fees or assessments for the use of the airport premises, works, appliances, facilities or concessions or for any service provided by the Authority, subject to the approval of the Secretary of Transportation in consultation with the Secretary of Finance;
- (k) To invest its idle funds, as it may deem proper, in government securities and other evidences of indebtedness of the government;

- (l) To provide services, whether on its own or otherwise, within the airports and the approaches thereof, which shall include but not be limited to, the following:
 - (1) Aircraft movement and allocation of parking areas of aircraft on the ground;
 - (2) Loading or unloading of aircraft;
 - (3) Passenger handling and other services directed towards the care, convenience and security of passengers, visitors and other airport users; and
 - (4) Sorting, weighing, measuring, warehousing or handling of baggage and goods.
- (m) To prescribe and revise, from time to time as necessary, minimum safety standards for the operation of airport facilities in the Philippines;
- (n) To perform such other acts and transact such other business, directly or indirectly as may be necessary, incidental or conducive to the attainment of the purposes and objectives of the Authority, including the adoption of necessary measures to remedy congestion in the airports; and
- (o) To exercise all the powers of a corporation under the Corporation Law, insofar as these powers are not inconsistent with the provisions of this Act.

SECTION 6. Police Authority. - The Authority shall have the power to exercise such police authority, as may be necessary within its premises, to carry out its functions and attain its purposes and objectives. The grant of such powers shall be without prejudice to the exercise of functions within the same premises by other concerned government agencies as provided for by law: Provided, That the Authority may request the assistance of law enforcement agencies, including request for deputization as may be required. Such police authority shall be exercised in connection with the following, among others:

- (a) Maintenance of security to passengers, cargoes, aircraft, airport equipment, structures, facilities, personnel, funds and documents;
- (b) Regulating the entry to, exit from and movement within the airports;
- (c) Maintenance of peace and order, within the premises of the airports in coordination with local police authorities and other authorized peace-keeping entities within the airports;
- (d) Regulation and supervision of private security agencies operating within the airports; and
- (e) Enforcement of rules and regulations promulgated by the Authority pursuant to law.

SECTION 7. Airport Operation Certification. - Any person desiring to operate a private airport or air navigation facilities may file with the Authority an application for an operating certificate. If the Authority finds, after investigation, that such person is properly and adequately equipped and able to conduct a safe operation in accordance with the requirements of this Act and the rules and regulations, and standards prescribed therein, the Authority shall issue an airport operating certificate to such person. Each airport operating certificate shall prescribe such terms, conditions and limitations as are reasonably necessary to assure safety in air transport. Unless the Authority determines that it would be contrary to public interest, such terms, conditions and limitations, shall include, but not limited to, terms and conditions relating to:

- (a) The operation and maintenance of adequate safety equipment, including firefighting and rescue equipment capable of rapid access to any portion of the airport used for landing, take off, or surface maneuvering of aircraft; and

(b) The condition and maintenance of primary and secondary runways.

For this purpose, the Authority shall inspect, classify, and rate any air navigation facilities and airports available for the aircraft as to its suitability for such use.

SECTION 8. Board of Directors. - The corporate powers of the Authority shall be exercised by and vested in a Board of Directors, hereinafter referred to as the Board. It shall be composed of eleven (11) members, as follows:

- (1) Secretary of the DOTr or his representative - Chairperson; 2) General Manager of the Authority - Vice-Chairperson;
- (2) Representative from the Office of the President;
- (3) Representative from the Department of Finance;
- (4) Representative from the Department of Tourism;
- (5) Representative from the Department of Justice;
- (6) Representative from the CAAP; and,
- (7) Four (4) representatives from the private sector to be appointed by the
- (8) President of the Philippines for a term of three (3) years renewable for another term.

The Board shall meet at least once a month and as often as the exigencies of the service demand. The presence of at least five (5) members shall constitute a quorum, and the vote of a majority of the members present, there being a quorum, shall be necessary for the adoption of any rule, regulation, resolution, decision or any other act of the Board.

The members of the Board shall receive per diems, for every meeting actually attended: Provided, that such per diem shall conform to existing guidelines of the Commission on Audit. Members of the Board shall be reimbursed by the Authority for actual expenses, including travelling and subsistence expenses, incurred by them in the performance of their duties.

No member of the Board shall have financial or pecuniary interest, directly or indirectly, in any business contract or transaction entered into by the Authority or in any privilege granted by it. Neither shall a member have any interest, financial or otherwise, in any undertaking or business with an inherent conflict of interest with the Authority.

SECTION 9. Functions, Powers, and Duties of the Board. - The Board shall have the following functions, powers and duties:

- (a) To define and approve the programs, plans, policies, procedures and guidelines of the Authority for the development and operation of the airports within the context of the overall Government objectives, and to control the management, operation and administration of the Authority;
- (b) To recommend to the President of the Philippines, for appointment, a General Manager of the Authority who shall be the Chief Executive Officer of the Authority; and
- (c) To approve the Authority's organizational and administrative structure, staffing pattern, operating and capital expenditures, and financial budgets, prepared in accordance with the corporate plan of the Authority, upon recommendation of the General Manager.

SECTION 10. Development of New Airports. - The Board shall be responsible for the planning, development, construction, operation, maintenance or the expansion of airports. In planning and developing new airports, the Board shall consider:

- (a) The suitability of a proposed site in terms of terrain and proximity to population centers;
- (b) The projected size of the market to be served by a proposed airport;
- (c) The ability of a proposed airport to generate sufficient revenue to cover costs of operation and maintenance;
- (d) The availability of funding from both local and foreign sources for the construction of a new airport or expansion of an existing one;
- (e) The proximity of other airports to a proposed new airport and the capability of such other airport to handle traffic projected to be handled by the new proposed airport;
- (f) The government's public service obligations such as the government's duty to ensure the availability of air transport infrastructure for remote areas far from major population centers and that are not otherwise easily accessible by transportation by land or sea;
- (g) International Civil Aviation Organization best practices and recommendations concerning the development of airports; and
- (h) Such other considerations as the Board, in the exercise of its reasonable discretion, may consider relevant or important.

SECTION 11. Injunctions, Powers and Duties of the General Manager. – The General Manager shall be directly responsible to the Board, and shall have the following functions, powers and duties;

- (a) To direct and supervise the management, operation and administration of the Authority, and its integral units including its buildings, runways, facilities and equipment, so as to provide international standards of service to airport users, and to ensure its financial stability in accordance with the programs, plans, policies, procedures and guidelines of the Board;
- (b) To provide general supervision and overall coordination of all government agencies operating in the airports with respect to the allocation and use of building space and airport premises;
- (c) To undertake researches, studies, investigations, and other activities related to the present operations and future development requirements of the airports, on his own initiative or upon instructions of the Board, and to submit comprehensive reports, and appropriate recommendations to the Board for its information and action;
- (d) To appoint, transfer, suspend, remove or otherwise discipline any subordinate officer or employee of the Authority, subject to the approval of the Board and to engage, either on contractual basis or other suitable arrangements, the services of highly qualified professionals, experts, technical advisers or consulting firms and to determine their compensation or fees including other terms and conditions of employment as may be authorized by the Board; To enter into a memorandum of agreement/understanding, contracts or such other arrangements as may be feasible with such government agencies or private entities operating or providing services to the Authority to ensure proper coordination and integration of all activities in the Authority, subject to the approval of

the Board or such laws, rules and regulations as are applicable in the exercise of such authority;

- (e) To establish and maintain a system, in coordination with the appropriate government offices and agencies, for the regular and prompt dissemination of financial, statistical and other relevant data within the Authority and to the Board;
- (f) Within the limits of the authority delegated to him by the Board, to execute contracts, incur obligations, acquire and dispose of assets, and deliver documents, on behalf of the Authority;
- (g) To implement and enforce decisions, orders, rules and regulations issued, prescribed or adopted by the Board; and
- (h) To perform such other duties as the Board may delegate or assign, and such acts as may be necessary and proper to implement this Act.

SECTION 12. Capital. - The Authority shall have a capital of Fifty Billion Pesos (Php50,000,000,000.00) which shall be contributed by the National Government and to consist of:

- (a) The value of fixed assets (including airport facilities, runways and equipment) and such other properties, movable and immovable, which may be contributed by the National Government or transferred by it from any of its agencies, the valuation of which shall be determined jointly with the Department of Budget and Management (DBM) and the Commission on Audit (COA) on the date of such contribution or transfer after making due allowances for depreciation and other deductions taking into account the loans and other liabilities of the Authority at the time of the takeover of the assets and other properties;
- (b) The unexpended balances of appropriations in the current General Appropriations Act, and other laws in force upon approval hereof, pertaining to, held or used by, or available to the entities abolished and/ or whose powers, duties and responsibilities have been transferred to the Authority under this Act, including concerned government agencies;
- (c) Any surplus income that may be derived from or shall accrue to the Authority upon its organization and its assumption of the assets and liabilities of the entities abolished and/ or whose powers, duties and responsibilities have been transferred to the Authority under this Act, including concerned government agencies; and
- (d) Such amount as may be appropriated from time to time from the funds of the National Treasury not otherwise appropriated including any outlay from the infrastructure program of the National Government and as may be provided in the annual General Appropriations Act.

SECTION 13. Contribution to the General Fund for the Maintenance and Operation of Airports. - Within thirty (30) days after the close of each quarter, twenty per centum (20%) of the gross operating income, excluding payments for utilities of tenants and concessionaires and terminal fee, collections, shall be remitted to the General Fund in the National Treasury to be used for the maintenance and operation of international and domestic airports in the country. Adjustments in the amount paid by the Authority to the National Treasury under this Section shall be made at the end of each year based on the audited financial statements of the Authority.

SECTION 14. Auditor. - The Chairman of the COA shall be the ex-officio Auditor of the Authority. For this purpose, he may appoint a representative who shall be the auditor of the Authority, together with the necessary personnel to assist said representative in the performance of his duties. The salary of the auditor and the number and salaries of said personnel shall be determined by the Chairman of the Commission on Audit subject to the rules and regulations of the Commission on Audit. Said salaries and all other expenses of maintaining the Auditor's Office shall be paid by the Authority.

The Auditor shall, as soon as practicable, but not later than three (3) months after the accounts have been submitted for audit, send an annual report to the Board. The Auditor may also submit such periodic or special reports as the Board may deem necessary.

SECTION 15. Legal Counsel. - The Government Corporate Counsel and/or the Solicitor General shall be the Legal Counsel of the Authority: Provided, That the Authority may establish its own legal department to handle the day- to-day legal matters affecting the affairs of the Authority.

SECTION 16. Annual Report. - The Board shall submit to the President of the Philippines through the DOTr, together with the audit report on the relevant accounts an annual report generally dealing with the activities and operations of the Authority.

SECTION 17. Applicability of Civil Service Laws. - The Authority and its officials and employees shall be subject to the Civil Service Law and its rules and regulations.

SECTION 18. Borrowing Power. - The Authority may, after consultation with the Secretary of Finance and with the approval of the President of the Philippines, as recommended by the Secretary of DOTr, raise funds, either from local or international sources, by way of loans, credits or securities, and other borrowing instruments, with the power to create pledges, mortgages and other voluntary liens or encumbrances on any of its assets or properties.

All loans contracted by the Authority under this Section, together with all interests and other sums payable in respect thereof, shall constitute a charge upon all the revenues and assets of the Authority and shall rank equally with one another, but shall have priority over any other claim or charge on the revenue and assets of the Authority; Provided, That this provision shall not be construed as a prohibition or restriction on the power of the Authority to create pledges, mortgages and other voluntary liens or encumbrances on any asset or property of the Authority. Except as expressly authorized by the President of the Philippines, the total outstanding indebtedness of the Authority in the principal amount, in local and foreign currency, shall not, at any given time, exceed the net worth of the Authority.

The President or his duly authorized representative, after consultation with the Secretary of Finance, may guarantee, in the name and on behalf of the Republic of the Philippines, the payment of the loans or other indebtedness of the Authority up to the amount herein authorized.

SECTION 19. Increase or Decrease of Rates. - The Authority may increase or decrease the rates of the dues, charges, fees or assessments collectible by the Authority to protect the interest of the

Government and provide a satisfactory return on the Authority's assets based on the principle of cost recovery at an aggregate level. The Authority may adjust the schedule of such rates so as to reflect the cost of facilities or services provided, or rendered. The Authority may periodically review all dues, charges, fees, or assessments collectible by the Authority, and shall make such adjustments to the schedule of rates as shall adequately reflect any increase in price levels and (in the case of concession rentals) of volume of traffic through the airports, subject to the provisions of Batas Pambansa Big. 325, whenever practicable.

SECTION 20. Remedies for Non-Payment. - If the owner or agent of any aircraft refuses or neglects to pay on demand any rate or charges made in pursuance of Section 19 hereof, the Authority may, after complying with the required legal formalities provided by law, shall have the power to impose lien on such aircraft equipment or furniture belonging to the owner or agent of said aircraft, until the amounts due have been paid.

SECTION 21. Fines and Penalties. - The Authority shall have the power to exact reasonable administrative fines in such specific amounts and for such specific violations arising out of the use of the airports, as shall be prescribed in rules and regulations which the Authority is hereby authorized to issue for the purpose, which amount of fine shall not be less than One Thousand Pesos (Php 1,000.00) nor more than Twenty Thousand Pesos (Php20,000.00), and shall be subject to review and increase every five (5) years.

SECTION 22. Competitive Tender. - The General Manager shall, as far as practicable, grant permits or concessions to trade or to engage in business within the areas controlled by the Authority to the highest bidder after a competitive public bidding; Provided, That the bidding requirements may be waived in the case of banks, branches of post office. National Telecommunications Commission, other government agencies in airline operations or where the fees, rates or assessments to be charged have been fixed by the Board.

The General Manager shall require such permittees or concessionaires to provide goods or services acceptable under international standards and at such prices similar to goods or services in Metropolitan Manila or airports in other countries: Provided, That such final awards of permits or concessions to successful bidders shall be subject to the approval of the Board.

SECTION 23. Tax Exemptions. - The Authority shall be exempt from realty taxes imposed by the National Government or any of its political subdivisions, agencies and instrumentalities; Provided, That no tax exemption herein granted shall extend to any subsidiary which may be organized by the Authority.

SECTION 24. Transfer of Power and Assets. - All powers, duties and rights vested by law and exercised by the CAAP relating to the control, supervision, construction, maintenance, operation, provision of services and facilities and the efficient functioning of all domestic and international airports in the country pursuant to Republic Act No. 9497, are hereby transferred to the Authority. All assets, real and personal properties, contracts, records and documents, funds and revenues owned by or vested in the different offices of CAAP in relation to the powers, duties and rights herein transferred shall also be transferred to the Authority.

SECTION 25. Projects in Progress. - All ongoing projects relating to the construction of airport facilities shall be continued by the agency or agencies involved until completion. Thereafter, such projects shall be transferred to the Authority, in accordance with agreement among agencies concerned. Any disagreement, relating to such transfer, shall be submitted to the President of the Philippines for final decision.

SECTION 26. Transfer of Liabilities and Debts. - Upon the transfer to and acceptance by the Authority of the existing physical facilities, intangible assets and completed projects referred to in the preceding sections, all debts, liabilities, and obligations of the of the entities concerned and other government agencies in respect of such physical facilities, tangible assets and completed projects within the airports, shall likewise be assumed by the Authority.

SECTION 27. Prohibited Acts and Penalties. - The General Manager, after due notice and hearing, is hereby authorized to impose the following fines and penalties for the commission of any of the acts hereunder prohibited:

- (a) Any person who destroys or seriously damages the facilities of an airport or disrupts the services of an airport shall be subjected to imprisonment of one (1) year to three (3) years and/or a fine of not less than One hundred thousand pesos (Php 100,000.00) but not more than Five hundred thousand pesos (Php 500,000.00), or both, at the discretion of the court;
- (b) An imprisonment of not less than one (1) year but not more than three (3) years and/or a fine of not less than One hundred thousand pesos (Php 100,000. 00) but not more than Five hundred thousand pesos (Php 500,000. 00), at the discretion of the court, shall be imposed upon any person who shall interfere with air navigation, including but not limited to such acts as:
 - (1) Exhibiting within the Philippines any light or signal in such manner or place that it is likely to be mistaken for a true light or signal in connection with an airport or other navigational facility; or
 - (2) Knowingly removes, extinguishes, or interferes with the operation of any true light or signal.

SECTION 28. Appropriations. - To provide for any extraordinary expenses of the Authority upon its organization, the unavailed portion of the excess of actual operating income over the estimated expenses of the entities abolished and/or whose powers, duties and responsibilities have been transferred to the Authority under this Act, if any, at the time of the passage of this Act is hereby appropriated for purposes that the Board may approve. This shall be considered as part of the capital under Section 12 hereof

SECTION 29. Repealing Clause. - All laws, executive orders, letters of instructions, rules and regulations, or provisions thereof, which are inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

SECTION 30. Separability Clause. - The provisions of this Act are hereby declared separable. If any portion thereof shall be held invalid unconstitutional, such invalidity or unconstitutionality shall not affect the other provisions which shall remain in full force and effect.

SECTION 31. Effectivity Clause - This Act shall take effect within fifteen (15) after its complete publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved