

THIRTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
FIRST REGULAR SESSION)

5 JUN 15 11 53

SENATE

Senate Bill No. 2053

Introduced By Senator Francis N. Pangilinan

EXPLANATORY NOTE

The phenomenon of globalization continues to reduce the distance between countries, almost unifying their territorial lines. As boundaries are dissolved, interstate traffic steadily increases. Meanwhile, inter-region business and tourism ventures within the country are gaining momentum. Heightened business as well as political activity across borders, both within and without the country, underscores the importance of a basic requirement for, as well as indication of, progress—transportation, more particularly, air transportation. Unfortunately, the state of our civil aviation is less than desirable.

Due to an antiquated legislation and a nearly obsolete institutional structure, Philippine civil aviation lags far behind its foreign counterparts. Far from being competitive, it suffers from technological backwardness and outdated regulatory and organizational structure. Republic Act No. 776, which created the Civil Aeronautics Administration (Air Transportation Office) and the Civil Aeronautics Board, having been passed 52 years ago, no longer covers many important aspects of civil aviation. Clearly, there is a need to introduce substantial regulatory and institutional changes to propel the industry to modernization. As civil aviation is a dynamic and primarily service-oriented industry that has a catalytic effect to the economy, it should be flexible enough to adapt itself and respond to the developing requirements of the country.

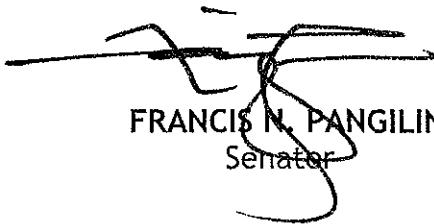
In the 32nd International Civil Aviation Organization (ICAO) General Assembly Meeting, a resolution was adopted encouraging each member state to establish a single unified body or an autonomous civil aviation authority to deal with matters of civil aviation. In this way, bureaucracy problems and difficulty in meeting ICAO standards and recommended practices may be avoided. To implement said resolution, this bill creates the Civil Aviation Authority of the Philippines (CAAP), a government corporation attached to the Department of Transportation and Communications. It shall absorb the functions of the Air Transportation Office and the Civil Aeronautics Board and merge the technical and economic functions in a single entity.

The CAAP shall exercise overall jurisdiction over civil aviation, including supervision, control, and regulation on matters relating to safety and security of aircraft, airport facilities and installations, whether government or privately owned, including the Ninoy Aquino International Airport, Diosdado Macapagal International Airport (DMIA), Subic Bay International Airport (SBIA), and other airport/s which may be created in the future.

The CAAP shall be vested with corporate powers and shall be financially self-sufficient, with an authorized capital of Seventy-Five Billion Pesos (P75,000,000,000.00) fully subscribed by the Republic of the Philippines. It shall adopt an annual budget and shall endeavor to refrain from relying on the National Treasury for its budget. In order to build highly competent personnel, the CAAP shall have the power to determine and fix the compensation and fringe benefits of its employees holding highly technical positions.

Given the dual nature of CAAP, its creation would reap the benefits of an autonomous corporate authority while regulating an important industry. As it relieves the national government of the burden of heavy capital investment, it advances the country's civil aviation which would ultimately result in economic progress.

In view of the paramount interests advanced herein, passage of this bill is earnestly requested.



FRANCIS N. PANGILINAN
Senator

1 THIRTEENTH CONGRESS OF THE REPUBLIC)
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RECEIVED BY:

8 Senate Bill No. 2053
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Introduced By Senator Francis N. Pangilinan

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14 AN ACT
15 CREATING THE CIVIL AVIATION AUTHORITY OF THE PHILIPPINES,
16 AUTHORIZING THE APPROPRIATION OF FUNDS THEREFOR, AND FOR OTHER
17 PURPOSES

18
19 *Be enacted by the Senate and House of Representatives of the*
20 *Philippines in Congress assembled:*
21

22
23 ARTICLE I
24 GENERAL PROVISIONS

25
26 Section 1. *Title.* - This Act shall be known as the **Civil Aviation**
27 **Authority Act of 2005.**
28

29 Section 2. *Declaration of Policy.* - It is hereby declared the policy of
30 the Government to provide safe and efficient air transport and regulatory
31 services in the Philippines by providing for the creation of the unified
32 civil aviation authority, with sole jurisdiction over the restructuring of
33 aviation regulatory regime, the promotion, development and regulation
34 of the technical, economic, and aviation security functions, and the
35 unification of the oversight functions of government under one agency.
36

37 ARTICLE III
38 THE CIVIL AVIATION AUTHORITY

39
40 Section 3. *Creation of the Authority.* - There is hereby created a
41 corporate body to be known as the Civil Aviation Authority of the
42 Philippines (CAAP), hereinafter referred to as the "Authority," attached
43 to the Department of Transportation and Communications for the

1 purpose of policy coordination. It shall be composed of a Board of
2 Directors to be known as the CAAP Board.

3
4 Section 4. *Powers of Authority.* - In addition to the powers provided
5 under Republic Act No. 776, as amended, the Authority shall have the
6 following powers and functions:

- 7
8 (a) To provide safe and efficient air transport and regulatory
9 services in the Philippines;
- 10
11 (b) To promulgate rules and regulations governing the technical,
12 economic, and security aspects of civil aviation, as the
13 Authority may find necessary and proper, for the safety,
14 benefit, and interest of the public, consistent with the purposes
15 of this Act;
- 16
17 (c) To exercise supervision, control, and regulation over civil
18 aviation, including but not limited to the air transportation of
19 passengers, cargo, mail, air services, aviation companies, and
20 persons, firms, corporations engaged in providing air
21 transportation services, and related services;
- 22
23 (d) To provide civil airways, navigation facilities and equipment,
24 throughout the Philippines for the purpose of carrying out
25 oversight functions, consistent with the Standards and
26 Recommended Practices (SARPs) adopted by the International
27 Civil Aviation Organization (ICAO) and contained in eighteen
28 (18) Annexes to the ICAO Convention of 1994;
- 29
30 (e) To exercise overall jurisdiction over governmental functions of
31 civil aviation, including supervision, control and regulation of
32 matters relating to safety and security of aircraft, airport
33 facilities and installations, whether government or privately
34 owned, as well as the supervision and regulation of safety and
35 security in the Ninoy Aquino International Airport (NAIA),
36 Mactan-Cebu International Airport (MCIA), Diosdado Macapagal
37 International Airport (DMIA), Subic Bay International Airport
38 (SBIA), and other airport/s which may be created in the future;
- 39
40 (f) To provide for tariffs, fares, rates, charges, and fees, as it may
41 deem necessary for air services, air traffics, navigational and
42 other services, and prescribe the manner of payment and

1 collection, subject to the provisions of this Act, notwithstanding
2 any laws to the contrary;

- 3
4 (g) To exercise police powers and other law enforcement powers
5 over areas under its jurisdiction and for this purpose, to
6 coordinate with the Philippine National Police and other law
7 enforcement agencies; and
8
9 (h) To adopt and promulgate such other rules and regulations to
10 implement the provisions of this Act.

11
12 Section 5. *Corporate Powers.* - To carry out its purposes under this
13 Act, the Authority shall have the following corporate powers:

- 14
15 (a) To succeed in its corporate name, to sue and be sued in such
16 corporate name, and to adopt, use and alter its corporate seal,
17 which shall be judicially noticed;
18
19 (b) To adopt, amend or repeal its By-Laws;
20
21 (c) To enter into, make, perform, and carry out contracts of every
22 class, kind and description, which are necessary or incidental to
23 the realization of its purposes, with any person, domestic or
24 foreign private firm, or corporation, local or national
25 government office, agency, and with international institutions,
26 or foreign government;
27
28 (d) To raise money, contract loans, indebtedness, credit and issue
29 commercial papers and bonds, in any local or convertible
30 foreign currency from any other international financial
31 institutions under terms and conditions prescribed by law, rules,
32 and regulations;
33
34 (e) To execute any deed of guarantee, mortgage, pledge, trust or
35 assignment of any property for the purpose of financing the
36 programs and projects deemed vital for the attainment of its
37 goals and objectives;
38
39 (f) To construct, acquire, own, hold, operate, maintain,
40 administer, and lease personal and real properties, including
41 buildings, machinery, equipment, other infrastructure,
42 agriculture lands, and its improvements, property right, and

1 interest therein, and to encumber, mortgage, dispose, sell, or
2 alienate or otherwise dispose the same at the fair market value
3 it may deem appropriate; to lease its plant, machinery,
4 equipment or goods not immediately required by it;

5
6 (g) To receive gifts, donations, grants, bequests, services,
7 properties, whether personal or real, and assistance of all
8 kinds, from private and public sources, firms, institutions,
9 domestic and foreign governments, and international
10 institutions, and utilize the same;

11
12 (h) To invest its funds and other assets in such areas, ventures, and
13 projects as it may deem wise;

14
15 (i) To settle under such terms and conditions most advantageous to
16 it, any claim by or against it;

17
18 (j) To determine and keep its own system of accounts following
19 generally accepted principles of accounting, as well as the
20 forms and contents of its contracts and other business
21 documents;

22
23 (k) To enter into contracts for the sale or lease of pieces of
24 equipment, facilities, installations, and aerodromes owned by
25 the former ATO;

26
27 (l) To perform such other acts, and to do all things as may be
28 necessary, proper, or convenient in connection with the
29 performance of its functions, to carry out the purposes of this
30 Act; and

31
32 (m) To exercise such other powers provided for by the Corporation
33 not otherwise provided herein.

34
35 Section 6. *Subsidiaries.* - The Authority shall have the power to
36 form, establish, organize, incorporate and maintain corporation or
37 corporations. Such subsidiary or subsidiaries shall be formed in
38 accordance with the Corporation Code of the Philippines and the existing
39 rules promulgated by the Securities and Exchange Commission, unless
40 otherwise provided in this Act.

41
42

ARTICLE III
BOARD OF DIRECTORS

1
2
3
4 Section 7. *Board of Directors.* - The powers and functions of the
5 Authority shall be vested in and exercised by, a Board of Directors:

- 6
7 (a) Provide comprehensive policy guidance for the promotion and
8 development of the aviation industry as provided in this Act;
9
10 (b) Formulate the objectives, strategies, and policies to be
11 followed by the Authority;
12
13 (c) Ensure that the Authority performs its functions in a proper,
14 efficient, and effective manner;
15
16 (d) Determine the organizational structure of the Authority,
17 establish a human resources management system based on
18 merit and fitness, and adopt a rational compensation and
19 benefits scheme;
20
21 (e) Approve the annual and supplementary budget for submission
22 to the Congress of the Philippines;
23
24 (f) Approve the annual and supplementary budget plan for
25 utilization of the retained revenue; and
26
27 (g) Submit an annual report to the President of the Philippines.
28

29 Section 8. *Meetings.* - The Board shall meet regularly once a month
30 and may hold special meetings to consider urgent matters upon call of
31 the Chairman or any three (3) members. Internal rules of procedure in
32 the conduct of Board meetings shall be as prescribed by the Board.
33

34 Section 9. *Composition.* - The Board shall be composed of seven (7)
35 members who shall be appointed by the President of the Philippines:

- 36
37 (a) The Secretary of the Department of Transportation and
38 Communications shall act as Chairman *ex-officio*;
39
40 (b) The Vice Chairman shall be elected among the members of the
41 Board, provided that the Director General of Civil Aviation

1 (DGCA) who shall automatically be a member of the Board, shall
2 not be elected as Vice-Chairman; and
3

4 (c) Five Filipino citizens from the private sector or relevant
5 government agencies as members.
6

7 The appointed members of the Board shall have a term of five (5)
8 years. Of the initial members of the Board, the Vice-Chairman and the
9 DGCA shall be appointed for a term of five (5) years; two (2) shall be
10 appointed for a term of four (4) years; and two (2) for a term of three (3)
11 years. In case of vacancy, the appointee shall serve the unexpired term
12 of the predecessor. Members of the Board shall be eligible for
13 reappointment.
14

15 No person shall be appointed or designated as a member of the
16 Board unless he is a Filipino citizen, of good moral character,
17 unquestionable integrity and recognized competence in the field of
18 aviation, aeronautical engineering, economics, law and internal
19 relations, and management in related fields.
20

21 Members of the Board shall be reimbursed by the Authority for
22 necessary expenses incurred in the performance of their duties. They
23 shall also be entitled to *per diem* the amount of which shall be
24 determined pursuant to a resolution adopted by the Board, which shall
25 be adjusted annually based on the consumer price index as determined
26 by the National Government.
27

28 No member of the Board shall have financial or pecuniary interest,
29 directly or indirectly, in any business contract or transaction entered into
30 by the Authority or in any privilege granted by it. Neither shall a member
31 have any interest, financial or otherwise, in any undertaking or business
32 with an inherent conflict of interest with the Authority.
33

34 Section 10. *The President.* - The President of the Authority shall be
35 known as the *Director General of Civil Aviation* and must be an airman or
36 must have been an airman, with at least ten (10) years experience in the
37 field of aviation, five (5) years of which shall be in senior management
38 position.
39

40 The President/DGCA shall be the Chief Executive and Operating
41 Officer of the Authority. He shall have the following powers, duties and
42 responsibilities:

- 1 (a) To execute, administer, and implement the objectives, policies
2 and programs approved by the Board; enforce the decisions,
3 orders, rules, and regulations approved or prescribed by the
4 Board;
5
- 6 (b) To direct and supervise the management, operations and
7 administration of the Authority;
8
- 9 (c) To represent the Authority in all dealings with offices, agencies
10 and instrumentality of the Government, and with all persons,
11 firms and institutions, public and private, domestic and foreign,
12 including the International Civil Aviation Organization, other
13 international agencies, and institutions; to act as the primary
14 government representative in all matters relating to
15 international aviation, bilateral, multilateral consultations,
16 conferences, negotiations, and the like;
17
- 18 (d) To provide for rules and regulations, as may be required,
19 covering (i) air traffic services; (ii) air navigation services
20 including the establishment, administration, registration,
21 inspection, classification, rating, issuance, denial, revocation,
22 cancellation, modification, and investigation of civil airways
23 navigation radio and telecommunication facilities, aerodromes,
24 repair stations, training schools, and other air agencies and
25 installations; (iii) licenses, permits, and certificates; (iv)
26 aircraft accidents; and (v) such other rules, regulations,
27 standards, practices, methods, procedures as the Director
28 General may determine;
29
- 30 (e) To enforce the rules and regulations and impose fines, penalties
31 and similar sanctions for any violations thereof;
32
- 33 (f) To ensure the safety, effectiveness and efficiency of air
34 transportation, consistent with national objectives, and existing
35 treaties, connections and agreements;
36
- 37 (g) To exercise police powers in all areas within the jurisdiction of
38 the Authority, enforce all laws, regulations and rules relating
39 thereto in the exercise of these powers, he shall coordinate
40 closely with the Philippine National Police and other law
41 enforcement agencies of the government;
42

1 (h) To perform such powers, and duties provided for in this Act, or
2 as may be delegated by the Board; and

3
4 (i) To continue to exercise the powers provided for in Republic Act
5 No. 776 not inconsistent with this Act.

6
7 Section 11. *Management Officials and Employees; Merit System.* -
8 The Authority shall establish a human resources management system
9 which shall base promotions and appointments on merit and fitness and
10 will promote professionalism at all levels of the Authority in accordance
11 with the sound principles of management.

12
13 Section 12. *Exemption from Rules and Regulations of the*
14 *Compensation and Position Classification Board.* - The Authority shall
15 have the power to determine and fix the compensation and fringe
16 benefits of the employees holding technical positions not common to
17 other agencies of the government. Detailed employment benefits and
18 package shall be specified in the implementing Rules and Regulations.
19 The Authority shall be exempted from coverage of the rules and
20 regulations of the Compensation and Position Classification Board.

21
22 Section 13. *Development of Airports and Other Ancillaries.* - The
23 development and construction of national airports will be under the
24 Department of Transportation and Communications (DOTC) subject to the
25 transfer of its maintenance and management to CAAP when said airports
26 become operational.

27
28 Section 14. *Capitalization.* - The Authority shall have an authorized
29 capital stock of Seventy-Five Billion Pesos (₱75,000,000,000.00) and shall
30 be fully subscribed by the Republic of the Philippines.

31
32 The subscription of the National Government shall be paid as
33 follows:

34
35 (a) The unexpended balances of appropriations in the current
36 General Appropriations Act, Executive Order No. 132 and other
37 acts in force upon approval hereof, pertaining to, held or used
38 by, the Air Transportation Office;

39
40 (b) The values of the existing assets of the Civil Aeronautics
41 Administration, the Bureau of Air Transportation, and its
42 present successor, the Air Transportation Office (ATO), and the

1 various aeronautical facilities throughout the country owned by
2 the aforementioned offices or agencies, which shall be
3 determined by an independent and qualified appraiser or
4 appraisers within a year from the effectivity of this Act;

5
6 (c) Any surplus income accruing to the Authority upon its
7 organization into a corporate body and its assumption of the
8 assets and liabilities of the Air Transportation Office (ATO); and

9
10 (d) Such amount as may be appropriated from time to time from
11 the funds of the National Treasury, including any outlay from
12 the infrastructure program of the National Government. The
13 initial operating capital for the Authority in the amount of One
14 Billion Nine Hundred Million Pesos (P1,900,000,000.00) is hereby
15 authorized to be appropriated out of the National Treasury
16 which shall be covered by preferred shares of the Authority
17 retirable within five (5) years.

18
19 Section 15. *Sources of Funds.* - The following shall constitute the
20 sources of funds against which the operating expenses of the Authority
21 may be drawn:

22
23 (a) All revenues from the aeronautical and allied services operated
24 or rendered by the Authority, including remittances from
25 foreign counterpart aeronautics administrations and authorities;

26
27 (b) Proceeds from sales of bonds, grants, donation, disposals of
28 assets and sales of disposable assets, loans and other forms of
29 indebtedness entered into by the Authority;

30
31 (c) Interests which may be earned on investments or on idle cash of
32 the Authority; and

33
34 (d) Drawings upon the capital or surplus of the Authority.

35
36 Section 16. *Retention of Moneys Collected and Dispositions*
37 *Thereof.* - Moneys collected by the Authority under the provisions of this
38 Act shall be retained by the Authority, which shall be disbursed as the
39 Authority may deem necessary and appropriate, to carry out the
40 objectives and policies of this Act.

41

1 Section 17. *Management of Funds.* - The Authority may invest any of
2 its funds not immediately required for operating expenses, or other
3 immediate obligations in any business venture that it may deem
4 appropriate, or in such secured note, government securities, and other
5 negotiable instruments that satisfy the guidelines prescribed by the
6 Board.

7
8 Funds of the Authority shall be deposited in such commercial and
9 universal banks as the Authority may determine, subject to the
10 requirements of existing laws. The Board shall designate the officials
11 authorized to deposit in or withdraw funds from such depository banks.

12
13 Section 18. *Obligations.* - Upon approval of the President with the
14 prior concurrence of the Monetary Board, the Authority shall be
15 authorized to secure or contract domestic or foreign loans, credits and
16 other indebtedness, and to issue bonds, notes, debentures, securities and
17 other instruments of indebtedness, as it may deem necessary to carry out
18 the purposes of this Act, *Provided* that:

- 19
20 (a) The outstanding liabilities and obligations, foreign and
21 domestic, shall not exceed, at any time, fifty percent (50%) of
22 its net worth;
23
24 (b) The annual amortization on principal and interest shall not be
25 more than twenty percent (20%) of the prior year's gross
26 revenues;
27
28 (c) Where appropriate, obligations incurred from private sources of
29 capital may be secured by suitable assets or backed by priority
30 claims against property of the Authority;
31
32 (d) Obligations shall be considered the sole liability of the
33 Authority, unless otherwise guaranteed by the Republic of the
34 Philippines upon approval of the President with the prior
35 concurrence of the Monetary Board; and
36
37 (e) Issuance of bonds or long term notes shall be with prior
38 approval of or in accordance with the rules issued by the
39 National Treasurer.

40
41 Section 19. *Annual Budget.* - The Authority shall adopt an annual
42 budget. Unless the Authority shall require subsidy and/or a guarantee of

1 its liability from the National Treasury, its budget for the year need not
2 to be submitted to Congress for approval and inclusion in the General
3 Appropriations Act. Supplementary estimates may be prepared or
4 adopted in any of the Board meetings called for that purpose.

5
6 Section 20. *Exemption from Taxes, Customs and Tariff Duties.* - The
7 importation of equipment, machineries, spare parts, accessories, and
8 other materials, including supplies and services used in the operations of
9 the Authority, not obtainable locally, shall be exempt from all direct and
10 indirect taxes, wharfage fees and other charges and restrictions, the
11 existence of pertinent laws to the contrary notwithstanding.

12
13 All obligations entered into by the Authority and any income derived
14 therefrom, including those contracted with private international banking
15 and financial institutions shall be exempt from all taxes on both principal
16 and interest.

17
18 The Authority is also exempt from the payment of capital gains tax,
19 local government imposts and fees upon the effectivity of this Act.

20
21 Section 21. *The Authority of Officers to Administer Oaths.* - The
22 Director General and such other duly designated officers of the Authority
23 shall have the authority to administer oaths in the transaction and
24 performance of official business.

25
26 Section 22. *Statutory Lien on Aircraft, Equipment, Machinery.* - The
27 Authority shall have the power to impose lien on any aircraft,
28 equipment, and machinery:

- 29
30 (a) If the charges and other fees are not paid in full on due date for
31 payment, or any part of the charges or the late payment
32 penalty thereto remains unpaid; and
33
34 (b) For serious and gross violation of the rules and regulations
35 promulgated by the Authority in connection with its oversight
36 functions, involving safety of navigation, within the various
37 territories of the Authority, such as, aerodrome zones, the
38 airspace above said zones, including the landing approaches
39 and departures therefrom, and relevant navigation
40 requirement.
41

1 Aircraft levied upon pursuant to this Section shall be in the custody
2 of the Authority, and its clearance shall be withheld until the fines
3 imposed are fully paid. Such aircraft may be sold after notice to the
4 owners and the proceeds of the sale shall be applied to the payment of
5 the fines and penalties and other obligations that are due and payable.
6

7 *Section 23. Lien on Real, Personal Properties.* - The Authority shall
8 have the power to impose lien on personal and real properties, and other
9 assets of persons, corporations, partnerships, and such other entities
10 that shall be in default, or fail to perform their obligations, or fail to pay
11 the fines and other penalties imposed for violations of the law, rules and
12 regulations of the Authority.
13

14 Properties, moneys, and assets levied upon may be sold and the
15 proceeds thereof applied to the satisfaction of the obligation after due
16 notice and hearing.
17

18 *Section 24. General Penalty.* - Any violation of the provisions of this
19 Act, or any order, rule or regulation issued thereunder, or any term,
20 condition or limitation of any certificate or permit issued under this Act
21 for which no penalty is expressly provided shall be subject to fine as
22 determined in the Implementing Rules and Regulations of this Act.
23

24 *Section 25. Power to Regulate Height of Buildings and Installations*
25 *that may endanger the safety of Flights.* - The Authority shall have the
26 power to regulate the height of the buildings, towers, antennae, and
27 other edifices, situated within the vicinity of, or in close proximity to,
28 airports which shall endanger flights of aircraft. It shall also have the
29 power to prohibit or regulate the establishment and operations of
30 electrical, electronics, sound, magnetic, laser, or other gadgets or
31 installations which shall interfere with or impair air navigation and may
32 cause mishaps in the operations of aircraft.
33

34 *Section 26. Building Permits Subject to Prior Approval of Authority.*
35 - No building permit or other license, or authority of any kind or nature
36 shall be granted by local authorities with respect to buildings and
37 installations covered by the preceding section, or for any other activity
38 that may endanger the safety of navigation or flight, without the prior
39 approval of the Authority. Should any conflict arise between the
40 Authority and the local government units concerned on matters affecting
41 the safety of navigation as cited above, or other matters within the
42 jurisdiction of the Authority, the decision of the Authority shall prevail.

1 For this purpose, the Authority may call upon any law enforcement
2 agency, other instrumentality of the government, or local government,
3 to enforce rules and regulations, which may include removal of the
4 obstructions to the safety of flight, including the seizure of personal
5 properties that may directly or indirectly cause danger to the safety of
6 navigation or flight.

7
8 *Section 27. Role of Departments, Bureaus, Offices and Other*
9 *Agencies and Instrumentalities of the Government.* - All Heads of the
10 Departments, Bureaus, Offices, Agencies, and Instrumentalities of the
11 Government are hereby directed to give full support to the
12 institutionalization and restructuring program of civil aviation, and to
13 cooperate and coordinate with the Authority to facilitate and expedite
14 the transition.

15
16 *Section 28. Relationship with Local Governments.* - Existing laws,
17 rules and regulations to the contrary, notwithstanding, the Authority
18 shall, in coordination with the local government units, exercise
19 administrative and regulatory powers over any land, building, installation
20 and appurtenances thereto, including constructions of any building, road,
21 tower, within the territorial areas, the airspace above the zones,
22 including the navigable airspaces.

23
24 *Section 29. Police Authority.* - The Authority shall have the power to
25 exercise such police authority within its premises or area of operations as
26 may be necessary to carry out its functions and attain its purposes and
27 objectives *provided*, that the Authority may request the assistance and
28 deputation of any law enforcement agency. Such police authority shall
29 be exercised in providing public safety; maintaining peace and order;
30 ensuring the security of passengers, crew, cargo and aircraft, buildings,
31 installations, equipment and machinery; regulating and controlling entry
32 into, and exit from, and movement within controlled areas; supervising
33 private security guards, and enforcing rules and regulations of the
34 Authority.

35
36 *Section 30. Abolition of the Air Transportation Office and Civil*
37 *Aeronautics Board.* - The Air Transportation Office (ATO) and the Civil
38 Aeronautics Board (CAB) under the Department of Transportation and
39 Communications are hereby abolished.
40

1 All powers, duties, and rights vested by the law and exercised by the
2 Air Transportation Office (ATO) and the Civil Aeronautics Board (CAB) are
3 hereby transferred to the Authority.
4

5 All assets, real and personal properties, funds and revenues owned
6 by or vested in the different offices of the ATO, CAB and of the
7 aforementioned agencies, are transferred to the Authority. All contracts,
8 records and documents relating to the operations of the abolished
9 agencies and their offices and branches are likewise transferred to the
10 Authority.
11

12 Section 31. *Transfer of Personnel of Air Transportation Office and*
13 *the Civil Aeronautics Board.* - To ensure smooth transition into a
14 corporate structure, the incumbent Assistant Secretary of the Air
15 Transportation Office shall continue to hold office and assume the
16 powers of the Director-General until his successor shall have been
17 appointed and inducted into office in accordance with this Act. Officials
18 and employees of the ATO and CAB shall be absorbed into the Authority
19 on the basis of merit and fitness; *Provided*, that officials and employees
20 who shall be laid-off during the first two years of the effectivity of this
21 Act and as a result of this reorganization, shall be entitled to gratuity at
22 the rate equivalent to two (2) months salary for every year of continuous
23 and satisfactory service rendered of the equivalent nearest fraction
24 thereof favorable to them on the basis of the highest salary received, in
25 addition to the retirement benefits or pensions under existing law.
26

27 Such officers and employees who may later be reinstated in the
28 Authority, or who shall be rehired in any government office or
29 instrumentality, shall refund the unearned portion of gratuity received
30 from the Authority before he shall be reinstated or rehired.
31

32 Section 32. *Organization of the Authority.* - Within sixty (60) days
33 from effectivity of this Act, the Board of Directors of the Authority, or if
34 none has been appointed, the incumbent Director-General or Assistant
35 Secretary of ATO, as the case may be, shall organize the Authority.
36

37 Section 33. *Appropriations.* -The amount of Seven Billion Five
38 Hundred Million Pesos (P750,000,000,000.00) is hereby appropriated for
39 the purpose of funding the gratuity to be distributed under Section 31
40 hereof.
41

1 Section 34. *Saving Clause.*- All orders, determinations, rules,
2 regulations, permits, certificates, licenses and privileges which have
3 been issued, made, granted, or allowed to become effective by the ATO,
4 its predecessors, and by the CAB shall continue to be in effect according
5 to their terms until modified, amended, revoked, canceled, superseded,
6 or set aside.

7
8 Section 35. *Injunction and Restraining Order.* - The implementation
9 of the projects for the institutionalization and restructuring of the
10 aviation industry shall not be restrained or enjoined except by an order
11 issued by the Supreme Court of the Philippines.

12
13 Section 36. *Legal Counsel.* - Without prejudice to the appointment
14 of Corporate Counsel by the Board, the Government Corporate Counsel
15 shall be the *ex-officio* counsel of the Authority.

16
17 Section 37. *Auditor.* - The Commission on Audit shall appoint a
18 representative who shall be the full-time auditor of the Authority, and
19 such personnel as may be necessary to assist said representative in the
20 performance of his duties.

21
22 Section 38. *Implementing Rules and Regulations.* - The Authority
23 shall adopt rules and regulations to implement the provisions of this Act
24 within sixty (60) days from its approval.

25
26 Section 39. *Separability Clause.* - If for any reason, any section or
27 provision of this Act shall be declared unconstitutional or invalid, the
28 other sections or provisions hereof which are not affected thereby, shall
29 continue in full force and effect.

30
31 Section 40. *Repealing Clause.* - All acts, decrees, orders, executive
32 orders, instructions, rules and regulations or parts thereof inconsistent
33 with the provisions of this Act are repealed or modified accordingly.

34
35 Section 41. *Effectivity.* - This Act shall take effect thirty (30) days
36 after its approval and publication in the Official gazette and in a
37 newspaper of general circulation.

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40 Approved,
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