

(AS AMENDED BY THE SENATE) ●

CONGRESS OF THE PHILIPPINES
EIGHTEENTH CONGRESS
Second Regular Session

HOUSE OF REPRESENTATIVES

H. No. 7507

BY REPRESENTATIVES SY-ALVARADO, BAUTISTA, ALVAREZ (F.), SALCEDA, GARIN (S.), GARBIN, MACEDA, COLLANTES, VIOLAGO, CRISOLOGO, BAGATSING, FARIÑAS (R.C.), ALBANO, SIAO, VARGAS ALFONSO, BARONDA, PADUANO, VALERIANO, SAVELLANO, TEJADA, LACSON-NOEL, ESTRELLA, ALONTE, HERNANDEZ, VARGAS, ARAGONES, TAN (A.S.), BOLILIA, DY (F.M.C.), MARTINEZ, NOGRALES (J.J.), ABU, GONZALES (A.), PIMENTEL, SANTOS-RECTO, CASTELO, DY (I.P.), FERRER (L.), ABUEG-ZALDIVAR, SUANSING (E.), SINGSON-MEEHAN, DE VENECIA, HARESCO, DELOSO-MONTALLA, NUÑEZ-MALANYAON, ARENAS, FUENTEBELLA, ESCUDERO, GO (M.), DAGOOC, ONG (R.), SUNTAY, PADIERNOS, SUANSING (H.), GATCHALIAN, SALO, TAMBUNTING, VILLA, NIETO, PINEDA, REMULLA, ACOSTA, ABANTE, TIANGCO, REVILLA, VILLANUEVA (E.), RIVERA, DY (F.), MARCOLETA, JIMENEZ, CHIPECO AND HOFER, PER COMMITTEE REPORT NO. 438

AN ACT

GRANTING SAN MIGUEL AEROCITY INC. A FRANCHISE TO CONSTRUCT, DEVELOP, ESTABLISH, OPERATE, AND MAINTAIN A DOMESTIC AND INTERNATIONAL AIRPORT IN THE MUNICIPALITY OF BULAKAN, PROVINCE OF BULACAN, AND TO CONSTRUCT, DEVELOP, ESTABLISH, OPERATE, AND MAINTAIN AN ADJACENT AIRPORT CITY

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

1 **SECTION 1. *Nature and Scope of Franchise.*** – Subject to the provisions of
2 the Constitution and applicable laws, rules and regulations, there is hereby granted to
3 San Miguel Aerocity Inc., hereinafter referred to as the grantee, its successor or
4 assignees, a franchise to construct, develop, establish, operate, and maintain for
5 commercial purposes and in the public interest, a domestic and international airport,

1 hereinafter referred to as the airport, in Barangays Taliptip and Bambang in the
2 Municipality of Bulakan, Province of Bulacan.

3
4 The grantee, ITS SUCCESSORS OR ASSIGNEES, shall likewise have the right
5 to construct, acquire, lease, operate or manage such properties [~~which are~~] as ARE
6 convenient or essential to efficiently carry out objectives of this Act, such as toll roads,
7 railroads, mass transport systems, hotels, warehouses, hangars, aircraft service
8 stations and other facilities, as well as to develop the areas adjacent to the airport into
9 one integral and comprehensive development, hereinafter collectively referred to as
10 the Airport City.
11

12 **SEC. 2. Manner of Operation of Airport Facilities.** – All airport properties
13 and facilities owned, maintained, operated, or managed by the grantee, its
14 successors or assignees, shall be operated and maintained at all times in the best,
15 cautious, and diligent manner and in accordance with the standards, practices and
16 procedures required by the Manual of Standards-Aerodromes. It shall also be the
17 duty of the grantee, its successors or assignees, whenever required to do so by the
18 Department of Transportation (DOTr) or its legal successor, or the Civil Aviation
19 Authority of the Philippines (CAAP), or any other authorized government agency, to
20 modify, improve, and change such properties and facilities or systems in such a
21 manner and to such extent as the progress in science and technological
22 improvements in the airport or air transport service industry may render reasonable
23 and proper.
24

25 **SEC. 3. Authority of the Civil Aviation Authority of the Philippines.** – The
26 grantee, ITS SUCCESSORS OR ASSIGNEES, shall secure from the CAAP such
27 appropriate certification, permit or license for the construction, installation and
28 operation of the airport. In issuing the certificate, the CAAP shall have the power to
29 impose such conditions relative to the construction, operation, and maintenance of the
30 airport in compliance with international standards. The CAAP shall have the
31 authority to regulate the construction and operation of the airport. The CAAP,
32 however, shall not unreasonably withhold or delay the grant of any such authority,
33 permit or license.
34

35 **SEC. 4. Responsibility to the Public.** – The grantee, ITS SUCCESSORS OR
36 ASSIGNEES, shall conform to the ethics of honest enterprise and not use the airport
37 for subversive and treasonable acts.
38

39 THE GRANTEE, ITS SUCCESSORS OR ASSIGNEES, SHALL CONSTRUCT,
40 DEVELOP, ESTABLISH, OPERATE AND MAINTAIN THE AIRPORT IN A MANNER
41 THAT ALIGNS WITH THE SUSTAINABLE DEVELOPMENT GOALS. IT SHALL
42 COMPLY WITH ENVIRONMENTAL AND SUSTAINABILITY STANDARDS AND
43 SHALL WORK WITH THE AFFECTED LOCAL GOVERNMENTS' COMMUNITIES
44 AND OTHER CONCERNED GROUPS TO ENSURE SAFE AND INCLUSIVE
45 DEVELOPMENT.
46

47 The grantee, ITS SUCCESSORS OR ASSIGNEES, shall operate and maintain
48 the Airport City in a satisfactory manner at all times, and as far as economical and

1 practicable, modify, improve, or change such systems and equipment used therein
2 to keep abreast with the advances in science and technology.

3
4 **SECTION 5. Rates for Services.** - The charges and rates for the use of the
5 airport shall be subject to the approval of the CAAP.

6
7 **SECTION 6. Airport City and Related Businesses.** – In order to encourage,
8 promote and accelerate the sound and balanced industrial, economic and social
9 development of the areas adjacent to the airport and attract investments therein, the
10 grantee, ITS SUCCESSORS OR ASSIGNEES, is hereby authorized and allowed to
11 construct, acquire, own, lease, operate, develop or manage the Airport City, and
12 conduct other businesses related to the airport. In addition to the rights granted
13 unto it under Section 1 of this Act, the grantee, ITS SUCCESSORS OR ASSIGNEES,
14 shall have the right to lease, sublease or assign interests in, and to collect and receive
15 any and all income from toll roads, railroads, and mass transport systems
16 connecting to the airport, advertising, car park, installation of cables, telephone lines,
17 fiber optics or water mains, water lines, and other business or commercial ventures or
18 activities over all areas and aspects of the airport and the Airport City.

19
20 **SEC. 7. Right of the Government.** – A special right is hereby reserved to the
21 President of the Philippines, in times of war, rebellion, public peril, calamity,
22 emergency, disaster, or disturbance of peace and order, to temporarily take over and
23 operate the airport; to temporarily suspend the operation of the airport in the interest
24 of public safety, security and public welfare; or to authorize the temporary use and
25 operation thereof by any agency of the government, upon due compensation to the
26 grantee, ITS SUCCESSORS OR ASSIGNEES, for the use of the airport during the period
27 when these shall be so operated.

28
29 **SEC. 8 Term of Franchise.** – This franchise shall be in effect for a period of
30 fifty (50) years from the effectivity of this Act, inclusive of the ten (10)-year maximum
31 period for the design, planning and construction of the airport and the Airport City
32 (the “Ten-Year Construction Period”), unless sooner revoked or cancelled. This
33 franchise shall be deemed *ipso facto* revoked in the event the grantee fails to comply
34 with any of the following conditions:

- 35
36 a. Commence construction within one (1) year from the effectivity of this
37 Act;
38 b. Commence operations within one (1) year from the approval of the
39 operating permit from the CAAP;
40 c. Commence operations within twelve (12) years from the effectivity of
41 this Act; and
42 d. Operate continuously for two (2) years.

43
44 At the expiration of this franchise, the grantee, ITS SUCCESSORS OR
45 ASSIGNEES, shall turn-over the ownership of the airport to the [government agency or
46 local government unit concerned] DOTr.

47
48 **SEC. 9. Acceptance and Compliance.** – Acceptance of this franchise shall
49 be given in writing to the Congress of the Philippines, through the Committee on

1 Legislative Franchises of the House of Representatives and the Committee on Public
2 Services of the Senate, within sixty (60) days from the effectivity of this Act. Upon
3 giving such acceptance, the grantee, ITS SUCCESSORS OR ASSIGNEES shall exercise
4 the privileges granted under this Act. Non-acceptance shall render this franchise void.
5

6 **SEC. 10. Bond.** – The grantee, ITS SUCCESSORS OR ASSIGNEES, shall file a
7 bond with the CAAP in the amount that it shall determine to guarantee the
8 compliance with and fulfillment of the conditions under which this franchise is
9 granted. If, after three (3) years from the date of the approval of its permit by the
10 CAAP, the grantee, ITS SUCCESSORS OR ASSIGNEES, shall have fulfilled the
11 conditions, the bond shall be cancelled by the CAAP. Otherwise, the bond shall be
12 forfeited in favor of the government and the franchise *ipso facto* revoked.
13

14 **SEC. 11. Gross Receipts.** - The grantee, its successors or assignees, shall
15 keep a separate account of the gross receipts of the business transacted by it and
16 shall furnish the Commission on Audit (COA) and the Bureau of the Treasury a copy
17 of such account not later than the thirty-first (31st) day of January of each year for the
18 preceding twelve (12) months.
19

20 **SEC. 12. Books and Accounts.** – The books and accounts of the grantee, its
21 successors or assignees, shall always be open to the inspection of the COA and its
22 duly authorized representatives. It shall be the duty of the grantee, ITS SUCCESSORS
23 OR ASSIGNEES, to submit to the COA two (2) copies of the quarterly reports on the
24 gross receipts, the net profits and the general condition of the business.
25

26 **SEC. 13. Warranty in Favor of the National and Local Governments.** –
27 The grantee, ITS SUCCESSORS OR ASSIGNEES, shall hold the national, provincial,
28 city, and municipal governments of the Philippines free from all claims, accounts,
29 demands, or actions arising out of accidents or injuries, whether to property or to
30 persons, caused by the construction or operation of the airport.
31

32 **SEC. 14. Sale, Lease, Transfer, Grant of Usufruct, or Assignment of**
33 **Franchise.** – The grantee, ITS SUCCESSORS OR ASSIGNEES, shall not sell, lease,
34 transfer, grant the usufruct of, nor assign this franchise or the rights and privileges
35 acquired thereunder to any person, firm, company, corporation or other commercial or
36 legal entity, nor merge with any other corporation or entity, nor the controlling interest
37 of the grantee, ITS SUCCESSORS OR ASSIGNEES, be transferred, simultaneously or
38 contemporaneously, to any person, firm, company, corporation, or entity without the
39 prior approval of the Congress of the Philippines. Congress shall be informed of any
40 sale, lease, transfer, grant of usufruct, or assignment of franchise or the rights and
41 privileges acquired thereunder, or of the merger or transfer of the controlling interest
42 of the grantee, ITS SUCCESSORS OR ASSIGNEES, within sixty (60) days after the
43 completion of said transaction. Failure to report to Congress such change of ownership
44 shall render the franchise *ipso facto* revoked. Any person or entity to which this
45 franchise is sold, transferred or assigned shall be subject to the same conditions,
46 terms, restrictions, and limitations of this Act: *Provided*, That the limitations set forth in
47 this Section shall not apply to: (a) any transfer or issuance of shares of stock in the
48 implementation of the requirement for the dispersal of the grantee's, ITS

1 SUCCESSORS' OR ASSIGNEES', ownership pursuant to Section 18 of this Act; (b) any
2 transfer or sale of shares of stock to a foreign or local investor or investors; (c) any
3 issuance of shares to any foreign or local investors pursuant to or in connection with
4 any increase in the grantee's, ITS SUCCESSORS' OR ASSIGNEES', authorized capital
5 stock which shall result in the dilution of the stockholdings of the grantee's, ITS
6 SUCCESSORS' OR ASSIGNEES', then existing stockholders; ~~and~~ (d) any combination
7 thereof where such transfer, sale or issuance is effected in order to enable the
8 grantee, ITS SUCCESSORS OR ASSIGNEES, to raise the necessary capital or
9 financing for the provision of any of the services authorized by this Act and/or to carry
10 out any of the purposes for which the grantee, ITS SUCCESSORS OR ASSIGNEES,
11 has been incorporated or organized[-]; AND (E) ANY SALE, TRANSFER OR
12 ASSIGNMENT BY THE GRANTEE, ITS SUCCESSORS OR ASSIGNEES, IN FAVOR OF
13 AN AFFILIATE WHOSE CONTROLLING INTEREST IS OWNED BY THE SAME
14 PARENT CORPORATION OF THE RIGHTS AND PRIVILEGES SET FORTH IN THIS
15 SECTION AND IN SECTIONS 1, 6, 8, 15, 16, AND 17 RELATIVE TO THE
16 CONSTRUCTION, ACQUISITION, OWNERSHIP, LEASING, OPERATION,
17 DEVELOPMENT, OR MANAGEMENT OF AIRPORT CITY: *Provided*, finally, That any
18 such transfer, sale or issuance is in accordance with any applicable constitutional
19 limitations.

20
21 **SEC. 15. Right of Way.** – The grantee, ITS SUCCESSORS OR ASSIGNEES, in
22 accordance with existing laws and local ordinances, shall have the power to acquire
23 either by purchase, negotiation, expropriation or condemnation proceedings, any
24 private lands within or adjacent to the premises of the airport for the following
25 purposes: (1) acquisition and consolidation of lands for the development of the
26 airport and the Airport City; and (2) acquisition of right of way to the airport and the
27 Airport City. ANY PROVISION OF EXISTING LAWS, ORDINANCES, EXECUTIVE
28 ORDERS, RULES OR REGULATIONS TO THE CONTRARY NOTWITHSTANDING,
29 THE LANDS WITHIN THE POLITICAL JURISDICTION OF BARANGAYS TALIPTIP
30 AND BAMBANG THAT WILL COMPRISE THE AIRPORT AND THE ADJACENT
31 AIRPORT CITY, AND THE RIGHT-OF-WAY THERETO, ARE HEREBY DECLARED AS
32 AGRICULTURAL, AND ARE HEREBY CONVERTED AND RECLASSIFIED AS
33 MIXED-USE COMMERCIAL AND/OR INDUSTRIAL, AND MAY BE USED BY THE
34 GRANTEE, ITS SUCCESSORS OR ASSIGNEES FOR INDUSTRIAL, COMMERCIAL
35 AND OTHER LAWFUL PURPOSES.

36
37 **SEC. 16. Tax Exemptions.** – During the ten-year construction period, the
38 grantee, ITS SUCCESSORS OR ASSIGNEES, shall be exempt from any and all direct
39 and indirect taxes and fees of any kind, nature or description, which emanate
40 exclusively from the construction, development, establishment, and operation of the
41 airport and Airport city, including income taxes, value-added taxes, percentage taxes,
42 excise taxes, documentary stamp taxes, customs duties and tariffs, taxes on real
43 estate, buildings and personal property, business taxes, franchise taxes, ~~and~~
44 supervision fees, AND PERMIT FEES levied, established or collected, or may be
45 levied, established or collected, by any city, municipal, provincial or national authority.

46
47 After the ten-year construction period and during the remaining term of this
48 franchise, the grantee, ITS SUCCESSORS OR ASSIGNEES, shall be exempt from

1 income taxes and taxes on real estate, buildings and personal property, levied,
2 established or collected, or may be levied, established or collected, by any city,
3 municipal, provincial or national authority. However, such exemption from income
4 taxes and taxes on real estate, buildings and personal property shall expire as soon
5 as it is determined by [~~a competent authority~~] THE BUREAU OF INTERNAL REVENUE
6 (BIR) that the grantee, ITS SUCCESSORS OR ASSIGNEES, has fully recovered its
7 investment cost on the airport and on the Airport City, whereupon the grantee, ITS
8 SUCCESSORS OR ASSIGNEES, shall be subjected to all taxes under the National
9 Internal Revenue Code of 1997, as amended, and the Customs Modernization and
10 Tariff Act.

11
12 **SEC. 17. Revenue Sharing with the Government.** – During the term of this
13 franchise and after [~~a competent authority~~] THE BIR has determined that the grantee,
14 ITS SUCCESSORS OR ASSIGNEES, has fully recovered its investment cost[;] ON THE
15 AIRPORT CITY, the grantee, ITS SUCCESSORS OR ASSIGNEES, shall be entitled to
16 generate income from the Airport City equivalent to a project Internal Rate of Return
17 (IRR) of twelve percent (12%) per annum. Any amount in excess of the twelve
18 percent (12%) IRR of the Airport City shall be remitted to the National Government.

19
20 The IRR of the Airport City shall be reckoned and calculated within three (3)
21 months after the [~~competent authority~~] BIR determined that the grantee has fully
22 recovered its investment cost ON THE AIRPORT CITY. The grantee, ITS
23 SUCCESSORS OR ASSIGNEES, shall remit the share of the National Government
24 immediately after the IRR of the Airport City has been determined.

25
26 **SEC. 18. Dispersal of Ownership.** – In accordance with the constitutional
27 provision to encourage public participation in public utilities, the grantee, ITS
28 SUCCESSORS OR ASSIGNEES, shall offer [~~to Filipino citizens at least thirty percent~~
29 ~~(30%)~~] AT LEAST TWENTY PERCENT (20%) or a higher percentage that may
30 hereafter be provided by law of its outstanding capital stock in any securities
31 exchange in the Philippines within five (5) years from the determination of [~~competent~~
32 ~~authority~~] THE BIR that the grantee or its assignee has fully recovered its Investment
33 Cost: *Provided,* That in cases where public offer of shares is not applicable, other
34 methods of encouraging public participation by citizens and corporations operating
35 public utilities must be implemented. Noncompliance therewith shall render the
36 franchise *ipso facto* revoked.

37
38 **SEC. 19. Reportorial Requirement.** – The grantee, ITS SUCCESSORS OR
39 ASSIGNEES, shall submit an annual report to the Congress of the Philippines through
40 the Committee on Legislative Franchises of the House of Representatives and the
41 Committee on Public Services of the Senate, on its compliance with the terms and
42 conditions of the franchise and on its operations on or before April 30 of every year
43 during the term of its franchise. The reportorial compliance certificate issued by

1 Congress shall be required before any application for permit or certificate is accepted
2 by the CAAP.

3
4 **SEC. 20. *Penalty Clause.*** – Failure of the grantee, ITS SUCCESSORS OR
5 ASSIGNEES, to submit the requisite annual report to Congress shall be penalized by
6 a fine of One million pesos (P1,000,000.00) per working day of noncompliance. The
7 fine shall be collected by the CAAP from the delinquent franchise grantee, ITS
8 SUCCESSORS OR ASSIGNEES, separate from the reportorial penalties imposed by
9 the CAAP and the same shall be remitted to the Bureau of the Treasury.

10
11 **SEC. 21. *Equality Clause.*** – Any advantage, favor, privilege, exemption, or
12 immunity granted under existing franchises, or which may hereafter be granted,
13 upon prior review and approval of Congress, shall become part of this franchise and
14 shall be accorded immediately and unconditionally to the herein grantee, ITS
15 SUCCESSORS OR ASSIGNEES: *Provided*, That the foregoing shall neither apply to
16 nor affect the provisions of the franchise concerning territorial coverage, the term, or
17 the type of service authorized by the franchise.

18
19 **SEC. 22. *Repealability and Non-exclusivity Clause.*** – This franchise shall
20 be subject to amendment, alteration, or repeal by the Congress of the Philippines
21 when the public interest so requires and shall not be interpreted as an exclusive
22 grant of the privileges herein provided for.

23
24 **SEC. 23. *Separability Clause.*** – If any of the sections or provisions of this
25 Act is held invalid, all other provisions not affected thereby shall remain valid.

26
27 **SEC. 24. *Repealing Clause.*** –All laws, decrees, orders, resolutions,
28 instructions, rules and regulations, and other issuances or parts thereof which are
29 inconsistent with the provisions of this Act are hereby repealed, amended, or
30 modified accordingly.

31
32 **SEC. 25. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
33 publication in the Official Gazette or in a newspaper of general circulation.

34
35 Approved,