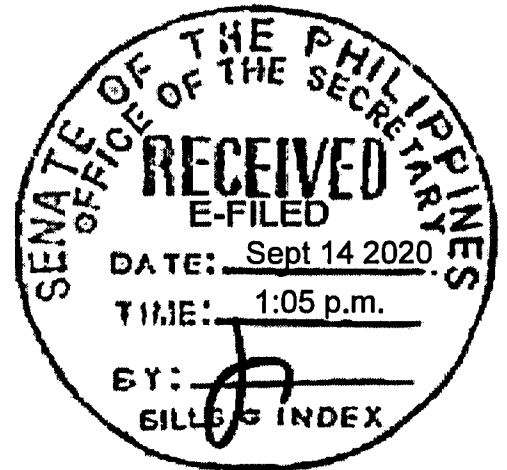


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



SENATE

Senate Bill No. 1823

Introduced by Senator Juan Miguel F. Zubiri

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

EXPLANATORY NOTE

The Ninoy Aquino International Airport (NAIA), built in the 1980s, serves as the only airport in and nearby Metro Manila. Last year, NAIA handled 39.5 million passengers despite its designed capacity to handle 31 million passengers only. Once dubbed as one of the worst airports in the world, there are limited choices for expansion of NAIA as the Metro does not provide any room for such.

The proposed Bulakan Airport will cover 1,500 hectares of land and will be able to accommodate 100 million passengers annually. San Miguel Aerocity Inc. will also build an expressway to link its airport to the North Luzon Expressway through Marilao, Bulacan. It will also be complemented with a rail link through the Metro Rail Transit Line-7 from San Jose Del Monte, Bulacan.

The grant of a franchise for the PhP1.5 Trillion Bulakan Airport and Airport City will pump-prime the Philippine economy in the midst of the Covid-19 pandemic, generate much-needed employment opportunities for hundreds of thousands of Filipinos, boost business activity and spending, future-proof the Philippines' tourism industry, pave the way for the entry of investors, and result to additional revenues for the government.

The trillion-peso private-sector investment for the proposed Bulakan Airport and Airport City will supplement the government's PhP10.6 Trillion infrastructure spending aimed at countering economic contraction and unemployment caused by the Covid-19 pandemic. It will also boost the capacity

of Metro Manila to accommodate more air traffic, and serves as an opportunity to establish new areas of development to decongest Metro Manila.

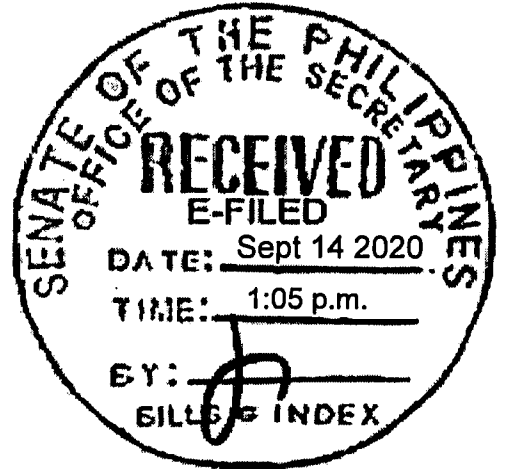
Considering the need to expedite the construction of the new airport that will serve the current and immediate future needs of Metro Manila and nearby provinces, it is in the public interest that the franchise subject of this bill be granted.

Hence, approval of this bill is earnestly requested.



JUAN MIGUEL F. ZUBIRI

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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 successors 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
6 hereinafter referred to as the airport, in Barangays Taliptip and Bambang in the
7 Municipality of Bulakan, Province of Bulacan.

8 The grantee, its successors or assignees, shall likewise have the right to
9 construct, acquire, lease, operate or manage such properties as are convenient or
10 essential to efficiently carry out the objectives of this Act, such as toll roads, railroads,
11 mass transport systems, hotels, warehouses, hangars, aircraft service stations and
12 other facilities, as well as to develop the areas adjacent to the airport into one integral
13 and comprehensive development, hereinafter collectively referred to as the Airport
14 City.

15 **SEC. 2. Manner of Operation of Airport Facilities.** – All airport properties
16 and facilities owned, maintained, operated, or managed by the grantee, its
17 successors or assignees, shall be operated and maintained at all times in the best
18 cautious, and diligent manner and in accordance with the standards, practices and
19 procedures required by the Manual of Standards-Aerodromes. It shall also be the duty
20 of the grantee, its successors or assignees, whenever required to do so by the

1 Department of Transportation (DOTr) or its legal successor, or the Civil Aviation
2 Authority of the Philippines (CAAP), or any other authorized government agency, to
3 modify, improve, and change such properties and facilities or systems in such a
4 manner and to such extent as the progress in science and technological
5 improvements in the airport or air transport service industry may render reasonable
6 and proper.

7
8 **SEC. 3. Authority of the Civil Aviation Authority of the Philippines.** –

9 The grantee shall secure from the CAAP such appropriate certification, permit or
10 license for the construction, installation and operation of the airport. In issuing the
11 certificate, the CAAP shall have the power to impose such conditions relative to the
12 construction, operation, and maintenance of the airport in compliance with
13 international standards. The CAAP shall have the authority to regulate the construction
14 and operation of the airport. The CAAP, however, shall not unreasonably withhold
15 or delay the grant of any such authority, permit or license.

16
17 **SEC. 4. Responsibility to the Public.** – The grantee shall conform to
18 the ethics of honest enterprise and not use the airport for subversive and treasonable
19 acts.

20
21 The grantee shall operate and maintain the airport in a satisfactory manner at
22 all times, and as far as economical and practicable, modify, improve, or change such
23 systems and equipment used therein to keep abreast with the advances in science
24 and technology.

25
26 **SEC 5. Rates for Services.** – The charges and rates for the use of the airport
27 shall be subject to the approval of the CAAP.

28
29 **SEC 6. Airport City and Related Businesses.** – In order to encourage,
30 promote and accelerate the sound and balanced industrial, economic and social
31 development of the areas adjacent to the airport and attract investments therein, the
32 grantee, its successors or assignees, is hereby authorized and allowed to construct,
33 acquire, own, lease, operate, develop or manage the Airport City, and to conduct
34 other businesses related to the airport. In addition to the rights granted unto it under
35 Section 1 of this Act, the grantee, its successors or assignees, shall have the right to
36 lease, sublease or assign interests in, and to collect and receive any and all income
37 from toll roads, railroads, and mass transport systems connecting to the airport,
38 advertising, car park, installation of cables, telephone lines, fiber optics or water
39 mains, water lines and other businesses or commercial ventures or activities over all
40 areas and aspects of the airport and the Airport City.

41
42 **SEC. 7. Right of the Government.** – A special right is hereby reserved to
43 the President of the Philippines, in times of war, rebellion, public peril, calamity,
44 emergency, disaster or disturbance of peace and order, to temporarily take over and
45 operate the airport, to temporarily suspend the operation of the airport in the interest
46 of public safety, security and public welfare; or to authorize the temporary use and
47 operation thereof by any agency of the government, upon due compensation to the
48 grantee, for the use of the airport during the period when this shall be operated.

1
2 **SEC. 8. Term of Franchise.** – This franchise shall be in effect for a period of
3 fifty (50) years from the effectivity of this Act, inclusive of the ten (10)-year-maximum
4 period for the design, planning and construction of the airport and the Airport City
5 (the “Ten-Year Construction Period”), unless sooner revoked or cancelled. This
6 franchise shall be deemed *ipso facto* revoked in the event the grantee fails to comply
7 with any of the following conditions:

- 8 a. Commence construction within one (1) year from the effectivity of this Act;
9 b. Commence operations within one (1) year from the approval of the operating
10 permit of the CAAP;
11 c. Commence operations within twelve (12) years from the effectivity of this Act;
12 and
13 d. Operate continuously for two (2) years.

14
15 At the expiration of this franchise, the grantee shall turn-over the ownership of
16 the airport to the government agency or local government unit concerned.

17 **SEC. 9. Acceptance and Compliance.** – Acceptance of this franchise shall
18 be given in writing to the Congress of the Philippines, through the Committee on
19 Legislative Franchises of the House of Representatives and the Committee on Public
20 Services of the Senate, within sixty (60) days from the effectivity of this Act. Upon
21 giving such acceptance, the grantee, its successors or assignees, shall exercise the
22 privileges granted under this Act. Non-acceptance shall render this franchise void.

23 **SEC. 10. Bond.** – The grantee shall file a bond with the CAAP in the amount
24 that it shall determine to guarantee the compliance with and fulfillment of the
25 conditions under which this franchise is granted. If, after three (3) years from the date
26 of the approval of its permit by the CAAP, the grantee shall have fulfilled the
27 conditions, the bond shall be cancelled by the CAAP. Otherwise, the bond shall be
28 forfeited in favor of the government and the franchise *ipso facto* revoked.

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

34 **SEC. 12. Books and Accounts.** – The books and accounts of the grantee,
35 its successors or assignees, shall always be open to the inspection of the COA and
36 its duly authorized representatives. It shall be the duty of the grantee to submit
37 to the COA two (2) copies of the quarterly reports on the gross receipts, the net
38 profits and the general condition of the business.

39 **SEC. 13. Warranty in Favor of the National and Local Governments.**
40 – The grantee, its successors or assignees, shall hold the national, provincial, city,
41 and municipal governments of the Philippines free from all claims, accounts,

1 demands, or actions arising out of accidents or injuries, whether to property or
2 to persons, caused by the construction or operation of the airport.

3 **SEC. 14. Sale, Lease, Transfer, Grant of Usufruct, or Assignment of**
4 **Franchise.** – The grantee shall not sell, lease, transfer, grant the usufruct of, nor
5 assign this franchise or the rights and privileges acquired thereunder to any
6 person, firm, company, corporation or other commercial or legal entity, nor merge
7 with any other corporation or entity, nor the controlling interest of the grantee be
8 transferred, simultaneously or contemporaneously, to any person, firm, company,
9 corporation, or entity, without the prior approval of the Congress of the
10 Philippines. Congress shall be informed of any sale, lease, transfer, grant of
11 usufruct, or assignment of franchise or the rights and privileges acquired
12 thereunder, or of the merger or transfer of the controlling interest of the grantee,
13 within sixty (60) days after the completion of said transaction. Failure to report to
14 Congress such change of ownership shall render the franchise *ipso facto* revoked.
15 Any person or entity to which this franchise is sold, transferred or assigned shall
16 be subject to the same conditions, terms, restrictions, and limitations of this Act:
17 *Provided*, That the limitations set forth in this Section shall not apply to: (a) any
18 transfer or issuance of shares of stock in the implementation of the requirement
19 for the dispersal of the grantee's ownership pursuant to Section 18 of this Act;
20 (b) any transfer or sale of shares of stock to a foreign or local investor or investors;
21 (c) any issuance of shares to any foreign or local investors pursuant to or in
22 connection with any increase in the grantee's authorized capital stock which shall
23 result in the dilution of the stockholdings of the grantee's then existing
24 stockholders; (d) any combination thereof where such transfer, sale or issuance
25 is effected in order to enable the grantee to raise the necessary capital or financing
26 for the provision of any of the services authorized by this Act and/or to carry out
27 any of the purposes for which the grantee has been incorporated or organized;
28 and, (e) any sale, transfer or assignment by the grantee in favor of an affiliate whose
29 controlling interest is owned by the same parent corporation of the rights and
30 privileges set forth in this Section and in Sections 1, 6, 8, 15, 16 and 17, relative to
31 the construction, acquisition, ownership, leasing, operation, development or
32 management of the Airport City: *Provided*, finally, That any such transfer, sale or
33 issuance is in accordance with any applicable constitutional limitations.

34 **SEC. 15. Right of Way.** – The grantee, its successors or assignees, in
35 accordance with existing laws and local ordinances, shall have the power to
36 acquire either by purchase, negotiation, expropriation or condemnation
37 proceedings, any private lands within or adjacent to the premises of the
38 airport for the following purposes: (1) acquisition and consolidation of lands for
39 the development of the airport and the Airport City; and (2) acquisition of right of way
40 to the airport and the Airport City.

41 **SEC. 16. Tax Exemptions.** – During the ten-year construction period, the
42 grantee, its successors or assignees, shall be exempt from any and all direct and
43 indirect taxes and fees of any kind, nature or description, which emanate
44 exclusively from the construction, development, establishment, and operation of
45 the airport and Airport City, including income taxes, value-added taxes,

1 percentage taxes, excise taxes, documentary stamp taxes, customs duties and
2 tariffs, taxes on real estate, buildings and personal property, business taxes,
3 franchise taxes, supervision fees, and permit fees, levied, established or collected,
4 or may be levied, established or collected by a city, municipal, provincial or
5 national authority.

6 After the ten-year construction period and during the remaining term of this
7 franchise, the grantee, its successors or assignees, shall be exempt from income
8 taxes and taxes on real estate, buildings and personal property, levied, established
9 or collected, or may be levied, established or collected, by any city municipal,
10 provincial or national authority. However, such exemption from income taxes and
11 taxes on real estate, buildings, and personal property shall expire as soon as it
12 is determined by a competent authority that the grantee, its successors or assignees,
13 has fully recovered the investment cost on the airport and on the Airport City,
14 whereupon the grantee, its successors or assignees, shall be subjected to all taxes
15 under the National Internal Revenue Code of 1997, as amended, and the Customs
16 Modernization and Tariff Act.

17 **Sec. 17. Revenue Sharing with the Government.** – During the term
18 of this franchise and after a competent authority has determined that the grantee,
19 its successors or assignees, has fully recovered the investment cost on the Airport
20 City, the grantee, its successors or assignees, shall be entitled to generate income
21 from the Airport City equivalent to a project Internal Rate of Return (IRR) of twelve
22 percent (12%) per annum. Any amount in excess of the twelve (12%) IRR of the
23 Airport City shall be remitted to the National Government.

24 The IRR of the Airport City shall be reckoned and calculated within three
25 (3) months after a competent authority has determined that the grantee, its
26 successors or assignees, has fully recovered the investment cost on the Airport
27 City. The grantee shall remit the share of the National Government immediately
28 after the IRR of the Airport City has been determined.

29 **Sec. 18. Dispersal of Ownership.** – In accordance with the constitutional
30 provision to encourage public participation in public utilities, the grantee shall offer at
31 least twenty percent (20%) or a higher percentage that may hereafter be provided by
32 law of its outstanding capital stock in any securities exchange in the Philippines within
33 five (5) years from the determination of a competent authority that the grantee has
34 fully recovered its investment cost. *Provided,* That in cases where public offer of shares
35 is not applicable, other methods of encouraging public participation by citizens and
36 corporations operating public utilities must be implemented. Noncompliance therewith
37 shall render the franchise, *ipso facto* revoked.

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
41 the Committee on Public Services of the Senate, on its compliance with the terms
42 and conditions of the franchise and on its operations on or before April 30 of every
43 year during the term of its franchise. The reportorial compliance certificate issued

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

3 **SEC. 20. *Penalty Clause.*** – Failure of the grantee, its successors or
4 assignees, to submit the requisite annual report to Congress shall be penalized
5 by a fine of One million pesos (P1,000,000 .00) per working day of noncompliance.
6 The fine shall be collected by the CAAP from the delinquent franchise grantee
7 separate from the reportorial penalties imposed by the CAAP and the same shall
8 be remitted to the Bureau of the Treasury.

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

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

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

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

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

Approved,