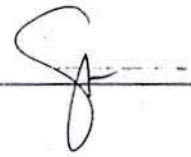


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SENATE



COMMITTEE REPORT NO. 399
DEC 13 2021

Submitted by the Committee on Public Services on

Re: **House Bill No. 10442**

Recommending its approval without amendment.

Sponsor: **Senator Grace Poe**

MR. PRESIDENT:

The Committee on Public Services, to which was referred **House Bill No. 10442**, introduced by **Representatives Cua and Alvarez (F.)** entitled:

AN ACT

RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO AIR PHILIPPINES CORPORATION, DOING BUSINESS UNDER NAME AND STYLE OF AIRPHIL EXPRESS, PAL EXPRESS, AND PHILIPPINE AIRLINES, UNDER REPUBLIC ACT NO. 8339, AS AMENDED BY REPUBLIC ACT NO. 9215, ENTITLED 'AN ACT GRANTING AIR PHILIPPINES CORPORATION (AIR PHILIPPINES) A FRANCHISE TO ESTABLISH, OPERATE AND MAINTAIN DOMESTIC AND INTERNATIONAL AIR TRANSPORT SERVICES'

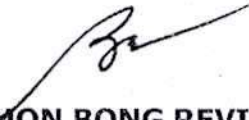
has considered the same and has the honor to report back to the Senate with the recommendation that it be approved without amendment.

Respectfully submitted,



SEN. GRACE POE
Chairperson

Vice-Chairpersons:



SEN. RAMON BONG REVILLA JR.

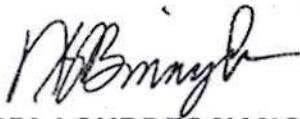
SEN. PANFILO M. LACSON



SEN. EMMANUEL "MANNY" D. PACQUIAO

SEN. WIN GATCHALIAN

Members:



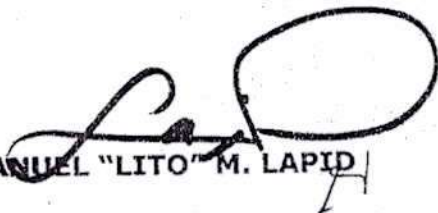
SEN. MARIA LOURDES NANCY S. BINAY

SEN. CHRISTOPHER BONG GO



SEN. FRANCIS "TOL" N. TOLENTINO

SEN. JOEL VILLANUEVA



SEN. MANUEL "LITO" M. LAPID

SEN. RICHARD J. GORDON

SEN. FRANCIS "KIKO" N. PANGILINAN

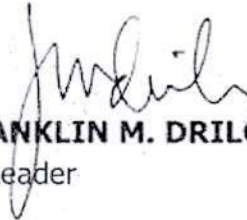
SEN. RISA HONTIVEROS

Ex-Officio Members:

SEN. RALPH G. RECTO
Senate President Pro-Tempore



SEN. JUAN MIGUEL F. ZUBIRI
Majority Leader



SEN. FRANKLIN M. DRILON
Minority Leader

HON. VICENTE C. SOTTO III
Senate President

HOUSE OF REPRESENTATIVES

H. No. 10442

BY REPRESENTATIVES CUA AND ALVAREZ (F.), PER COMMITTEE REPORT NO. 1303

**"AN ACT
RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE
GRANTED TO AIR PHILIPPINES CORPORATION, DOING BUSINESS UNDER
NAME AND STYLE OF AIRPHIL EXPRESS, PAL EXPRESS, AND PHILIPPINE
AIRLINES, UNDER REPUBLIC ACT NO. 8339, AS AMENDED BY REPUBLIC ACT
NO. 9215, ENTITLED 'AN ACT GRANTING AIR PHILIPPINES CORPORATION
(AIR PHILIPPINES) A FRANCHISE TO ESTABLISH, OPERATE AND MAINTAIN
DOMESTIC AND INTERNATIONAL AIR TRANSPORT SERVICES' "**

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

3
4 SECTION 1. *Nature and Scope of Franchise.* — Subject to the provisions of the
5 Constitution and applicable laws, rules and regulations, the franchise granted to AIR
6 PHILIPPINES CORPORATION, doing business under name and style of AIRPHIL
7 EXPRESS, PAL EXPRESS, and PHILIPPINE AIRLINES, hereunder referred to as the
8 Grantee, its successors or assignees, under Republic Act No. 8339, as amended by
9 Republic Act No. 9215, to establish, operate and maintain transport services for the
10 carriage of passengers, mails, goods, and property by air, both domestic and
11 international, is hereby renewed for another twenty-five (25) years.

12
13 Air transport services shall include the maintenance and operation of hangars
14 and aircraft service stations and facilities and other services of similar nature which
15 may be necessary, convenient, or useful as an auxiliary to aircraft transportation.

16
17 The Grantee shall have the right at its terminal and landing fields, as well as in
18 its aircraft, to construct, operate, and maintain stations or transmitting sets for wireless
19 telegraphy and direction findings, and other radio aids to air navigation, using
20 wavelengths in accordance with the rules and regulations made from time to time by
21 the proper agencies of the government. The wireless communication facilities shall be
22 used solely for receiving and transmitting weather forecasts and other matters in
23 connection with the Grantee's services.

1 SEC. 2. *Authority of the Civil Aeronautics Board and Civil Aviation Authority of*
2 *the Philippines.* – The Grantee shall secure from the Civil Aeronautics Board (CAB)
3 and from the Civil Aviation Authority of the Philippines (CAAP) the appropriate
4 certificates, permits, and licenses for its operations.
5

6 All aircraft used by the Grantee including their accessories and equipment shall
7 at all times be airworthy and the crew members shall be licensed by the Government
8 of the Philippines. They shall be equipped with radio communications, safety and other
9 equipment, and shall be operated and maintained in accordance with the regulations
10 and technical requirements of the CAAP or such other regulatory bodies the
11 government may prescribe for this purpose.
12

13 The Grantee's equipment and the operation of such equipment shall at all times
14 be subject to inspection and regulation by the CAAP. The Grantee shall comply with
15 the provisions of Republic Act No. 776 otherwise known as the "Civil Aeronautics Act
16 of the Philippines", and the regulations promulgated thereunder from time to time.
17

18 SEC. 3. *Responsibility to the Public.* – Excepting cases of *force majeure* and
19 whenever weather conditions permit, the Grantee shall maintain scheduled or
20 nonscheduled or chartered air transport services to any and all points and places
21 throughout the Philippines and between the Philippines and other countries at such
22 frequencies as traffic needs may require: *Provided*, That at least twenty-five percent
23 (25%) of all its frequencies shall be for domestic market.
24

25 SEC. 4. *Rates for Services.* – The Grantee shall fix just and reasonable rates
26 for the transportation of passengers, mails, goods, and freight, subject to the
27 regulations and approval of the CAB and other proper regulatory agencies of the
28 government.
29

30 SEC. 5. *Term of Franchise.* – This franchise shall be in effect for a period of
31 twenty-five (25) years from the effectivity of this Act, unless sooner revoked or
32 cancelled. This franchise shall be deemed *ipso facto* revoked in the event the Grantee
33 fails to operate continuously for two (2) years.
34

35 SEC. 6. *Landing Facilities.* – The Grantee may use the landing and other
36 airport facilities on land and water as may be maintained or owned by the government
37 within the Philippines on the Grantee's line subject to national policy considerations
38 and such terms and conditions or restrictions as the Government of the Philippines
39 may impose: *Provided*, That the Government of the Philippines shall have the right
40 to use the landing and other airport facilities as may be maintained or owned by the
41 Grantee in the Philippines.
42

43 SEC. 7. *Contracts.* – The Grantee is authorized to enter into transportation
44 contracts with the Philippine government, including the carrying of mail, upon such
45 terms and conditions as may be mutually agreed upon. The Grantee shall give
46 preferential consideration to contracts with the Government of the Philippines. The
47 Grantee may likewise enter into transportation maintenance or servicing contracts,
48 and such other contracts relating to air transport with other foreign-owned airlines
49 particularly with those which have international routes.

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

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

16 SEC. 10. *Commitment to Provide and Promote the Creation of Employment*
17 *Opportunities.* – The Grantee shall create employment opportunities and accept on-
18 the-job trainees in its franchise operations: *Provided,* That priority shall be accorded
19 to the residents of the place where the principal office of the Grantee is located:
20 *Provided, further,* That the Grantee shall comply with the applicable labor standards
21 and allowance entitlement under existing labor laws, rules and regulations and similar
22 issuances.
23

24 The employment opportunities or jobs created shall be reflected in the General
25 Information Sheet (GIS) to be submitted to the Securities and Exchange Commission
26 (SEC) annually.
27

28 SEC. 11. *Sale, Lease, Transfer, Grant of Usufruct, or Assignment of Franchise.*
29 – The Grantee shall not sell, lease, transfer, grant the usufruct of, nor assign this
30 franchise or the rights and privileges acquired thereunder to any person, firm,
31 company, corporation, or other commercial or legal entity, nor merge with any other
32 corporation or entity, nor shall the controlling interest of the Grantee be transferred,
33 simultaneously or contemporaneously, to any person, firm, company, corporation, or
34 entity without the prior approval of Congress. The Grantee shall inform Congress,
35 through the Office of the Speaker of the House of Representatives and Office of the
36 Senate President, of any sale, lease, transfer, grant of usufruct, or assignment of
37 franchise or the rights and privileges acquired thereunder, or of the merger or transfer
38 of the controlling interest of the Grantee, within sixty (60) days after the completion of
39 the said transaction. Failure to report to Congress such change of ownership shall
40 render the franchise *ipso facto* revoked. Any person or entity to which this franchise is
41 sold, transferred, or assigned shall be subject to the same conditions, terms,
42 restrictions, and limitations of this Act.
43

44 SEC. 12. *Dispersal of Ownership.* – In accordance with the Constitutional
45 provision to encourage public participation in public utilities, the Grantee shall offer to
46 Filipino citizens at least thirty percent (30%) of its outstanding capital stocks, or a
47 higher percentage that may hereafter be provided by law, in any securities exchange
48 in the Philippines within five (5) years from the effectivity of this Act. Noncompliance
49 therewith shall render the franchise *ipso facto* revoked.

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

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

13 The reportorial compliance certificate issued by Congress shall be required
14 before any application for permit or certificate is accepted by the CAB and CAAP.
15

16 SEC. 14. *Fine.* – Failure of the Grantee to submit the requisite annual report to
17 Congress shall be penalized by a fine of Five hundred pesos (P 500.00) per working
18 day of noncompliance. The fine shall be collected separately from the reportorial
19 penalties imposed by the CAB, and it shall be remitted to the Bureau of the Treasury.
20

21 SEC. 15. *Equality Clause.* – In the event that any competing individual,
22 partnership or corporation receives or enjoy or shall receive similar permit or franchise
23 with terms, provisions, or privileges more favorable than those herein granted or which
24 tend to place the herein Grantee at any disadvantage, then such terms or provisions
25 shall be deemed part hereof and shall operate equally in favor of the herein Grantee.
26

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

32 SEC. 17. *Separability Clause.* – If any of the sections or provisions of this Act
33 is held invalid, all other provisions not affected thereby shall remain valid.
34

35 SEC. 18. *Repealing Clause.* – All laws, decrees, orders, resolutions,
36 instructions, rules and regulations, and other issuances or parts thereof which are
37 inconsistent with the provisions of this Act are hereby repealed, amended, or modified
38 accordingly.
39

40 SEC. 19. *Effectivity.* – This Act shall take effect fifteen (15) days after its
41 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,