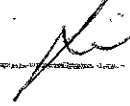


FIFTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

OFFICE OF THE SECRETARY

10 JUL 26 1980

RECEIVED BY: 

SENATE

S.B. No. 2064

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Introduced by Senator EDGARDO J. ANGARA

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### EXPLANATORY NOTE

Our government places the highest priority on poverty alleviation, particularly in the countryside. Rural development is the necessary strategy to do so and maximum private sector participation is ideal to achieve it. The establishment of a private rural airport infrastructure will encourage economic activity in the hinterlands, by serving not only as transportation hubs but also as industrial, commercial and service centers which will provide countryside employment to uplift the rural standards of living.

Speedy access between urban and rural areas may be provided only by the construction and maintenance of a rural air transport network complemented by the rehabilitation and maintenance of former or existing airports in the remote areas of our archipelago. Economic development, particularly in the countryside mandates a rural airport network as an essential part of the country's overall transport infrastructure. National airports in the main urban areas, such as: Manila, Cebu (Mactan), Davao, Zamboanga, Iloilo and Bacolod are equipped with adequate guidance, communications, security and safety systems. However, most of the so-called missionary routes are inadequately equipped, and all the rural routes, are those even more remote than the missionary routes, HAVE NO SUPPORT WHATSOEVER. These rural routes are the most difficult to access not only due to their remoteness, but also due to no government presence at all.

Many of them are scattered throughout the many islands of our archipelago.

The development of rural airports will permit speedy access and reasonable costs to promote and enhance the following activities for our rural areas:

- a) The transport of personnel and cargo;
- b) The increase in commercial activity through the speedy delivery of products and services;
- c) Improvement of domestic and international tourism;
- d) Immediate availability of emergency, rescue, disaster relief services;
- e) Improvement of communications, mail, money transfers and packages to and from the rural areas;
- f) Prompt delivery of government services;

- g) Assistance to the Armed Forces of the Philippines in matters of national security;
- h) Speedier police responses to problems of banditry and other peace and order matters;
- i) Extension of agricultural and environmental services, such as: enhanced crop productivity through aerial application, rainmaking and drought alleviation through aerial seedings, and reforestation and pest control through air broadcast technologies;
- j) Enhanced surveillance of our natural resources including forestry, coral reefs and animal and marine life.

The government, in tie up with the private sector, shall undertake the identification, construction, repair, maintenance, modernization and activation of rural infrastructures.

The Air Transport Office currently supervises 68 airports. Many of them are ill equipped, expensive to maintain in relation to the low traffic, and are obviously a drain on the national budget. Yet, so many of our rural areas have no airports at all. If they do, they are either inadequately or not maintained at all and are so difficult to service. To cite:

- a) These rural airports are usually of the "bush" type; they are short, unpaved, grass, dirt or merely flattened airstrips, often unattended; some have obstacles that aircraft landing and take-off can be made only one way. Only the lightest of aircraft can handle them.
- b) These airfields have no air safety personnel or equipment available.
- c) There are no reserve pilots or mechanics.
- d) There are no refueling depots.
- e) There are no repair stations and aircraft rescue during breakdown is difficult.
- f) There are no guidance systems, no communications systems, no security systems and no electricity to support aircraft or air terminal operations.
- g) There are only poor or even no access roads, piers or other complementary transport services.
- h) As they are usually located away from towns due to topographical limits, there are no board and lodging or storage facilities nearby to serve passengers and cargo.
- i) There are often no police or even private security agencies to prevent lawlessness and banditry or to react them.
- j) In many parts of the Visayas and in practically all of Mindanao outside the larger cities, there are serious peace and order problems.

The need to develop and/or operate rural airports is particularly needed in the island of Mindanao where the country faces serious insurgency and kidnapping problems.

It would be ideal to have each town and city in the Philippines have its own rural airport or at least easy access to such an airport so that the entire population can be within two hours from any major airport or urban area in the Philippines

But the Air Transportation Office which is the agency tasked with the development of airports has limited or no funds not *only* to supervise the existing airports, but also to establish, operate and maintain other airports, particularly those in the rural areas. The government budgetary deficits point to an even bleaker picture for these rural airports and the inability to adequately maintain the existing ones in the face of rising operating and capital expenses.

The inadequate resources of the Air Transportation Office render it ineffective in providing full support for the Rural Air Transport System. The rural airports are unattended and the intricacies and peculiarities of a rural air transport system are not appreciated. ATO Guidelines normally applicable to more sophisticated aircraft and airports as in Manila tend to be applied to the rural airports where conditions are entirely different. Unnecessary sanctions have often been applied to rural air transport operators that obviously hinder rural growth and development. Needless to say, these cause drains on the operators' financial resources that further adversely affect whatever upgrading programs may have been in place. An example of how a rural air transport operator was treated is cited in an annex to this note, authored by a former Secretary of the Department of Transportation and Communications.

In reality, the ATO has limited facilities and/or funds to regulate the rural airports. Due to these limitations, the ATO has not been able to help promote rural development through a well-planned program intended to develop the rural airport network.

On the other hand, all air transport, particularly of the rural type, has built-in safety mechanisms that for most, if not all, intents and purposes make ATO supervision practically superfluous. This natural built-in safety mechanism is the life and livelihood of personnel devoted to rural air transport, such as the pilots and the mechanics who maintain the aircraft. They will have to see to it that their equipment flies within adequate bounds of safety since their lives, limbs and livelihood depend on them.

In other countries with remote rural areas and large hinterlands, such as Norway and Canada, their bush airports are not only government-owned, constructed, supported and maintained, but air transportation to and from these airports is heavily subsidized by the state.

With the exception of airports located in large cities, such as Manila (NAIA) and Cebu (MCIAA), many missionary airports and certainly all rural airports are impossible to privately or publicly operate at a profit. That is the reason why the private sector has been timid in entering this area. For true development to take place, the private sector is an indispensable catalyst. Indeed, there can be opportunities for these hubs of commerce to be built and to grow on their own on a strictly private basis without any government support.

It would be ideal for the private sector to undertake these activities strictly on its own, without any subsidy from government, only with the proper incentives to do so. Such incentives are provided anyway to other spheres of economic activity that government wants to encourage. If the proper incentives are not provided to the construction, operation and maintenance of rural airport, there will be no downstream domestic activities to eventually tax or even regulate.


Approval, therefore, of the attached bill is earnestly requested

  
EDGARDO J. ANGARA

10 JUL 26 PG 30

SENATE

S.B. No. 2064

RECEIVED BY: 

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Introduced by Senator EDGARDO J. ANGARA

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AN ACT  
GRANTING THE RIGHT TO FRANCHISES TO DEVELOP THE RURAL  
AIRPORT INFRASTRUCTURE NETWORK IN THE PHILIPPINES FOR  
COMMERCIAL AND OTHER PURPOSES

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

1                   **SECTION 1. *Franchisee.*** - The provisions of this Act shall be available  
2 to any congressional franchise holder engaged in rural air transport operating any  
3 type of fixed or rotary wing, land or sea type of aircraft.  
4

5                   **SEC. 2. *Definition of Term.- Rural Airport.*** - As used in this Act, a rural  
6 airport shall mean any runway, take-off and landing area or seaway, at least one  
7 thousand two hundred (1,200) meters in length and with a suitable aircraft  
8 movement area which may be accessed by any type of aircraft rated by its  
9 manufacturers to utilize the facilities.  
10

11                   Such airports are those which, due to their remoteness, lack the presence  
12 and continuous operations of any government regulatory body.  
13

14                   Such an airport shall be so certified as a regular destination by any  
15 franchisee.  
16

17                   **SEC. 3. *Construction, Management, Operation and Maintenance of***  
18 ***Rural Airport.*** - Any Franchisee may construct, manage, operate and/or maintain  
19 any rural airport in any part of the Philippines in order to eventually make each  
20 municipality regularly accessible within easy reach of the principal and proximate  
21 urban areas.  
22

1           **SEC. 4. Use of Private Airports.** Subject to some limitations as the Air  
2 Transportation Office may prescribe, all existing private airports are hereby  
3 mandated to accommodate rural aircraft; Provided that said private airports may  
4 charge reasonable fees for the use of the airport.  
5

6           **SEC. 5. Use of National, Provincial or Municipal Road.** - In cases of  
7 emergency and in the absence of any private airport, any national, provincial or  
8 municipal road may be used for take-off and landing purposes, provided these are  
9 delineated and previously approved by the municipal or provincial government  
10 for such use, provided further, that the features of the said airports are within the  
11 specifications and operating limits according to the manufacturers of the aircraft  
12 employed and provided finally, that adequate safety standards are followed by the  
13 franchisee.  
14

15           **SEC. 6. Development of the Surrounding Area of the Airport.** - In order  
16 to encourage industries to be developed within the immediately surrounding area  
17 of the airport, the Franchisee may establish, manage, lease and operate the  
18 following activities: aircraft hangar; educational facilities for aircraft mechanics,  
19 pilot and personnel; warehouses, light industry, commercial and financial  
20 facilities; hotel guest house and tourism facilities; and telecommunications  
21 facilities to support activities, provided these facilities are within five hundred-  
22 meter (500 m) radius of the runway of said airports, subject to existing laws of the  
23 Government.  
24

25           **SEC. 7. Government Use.** - The Franchisee, with the use of its own  
26 aircraft and airport facilities may provide said services to any branch of the  
27 Armed Forces of the Philippines or any government agency for compensation  
28

29           **SEC. 8. Right to Purchase or Lease.** - The Franchisee shall have the right  
30 to purchase and/or lease, whichever is applicable and available, adequate space at  
31 any government or government agency owned airport, aerodrome, or air terminal  
32 for purposes of linking the rural air transport system with national and  
33 international flight and, providing necessary support services.  
34

35           **SEC. 9. Right to Operate.** - The Franchisee shall be allowed to operate  
36 along the trunk line, to carry and pick up passengers to and from the rural airports.  
37

38           **SEC. 10. Insurance Coverage.** - The Franchisee shall be required to

1 cover all passengers and cargo with insurance as specified by the Air Transport  
2 Office or the Civil Aeronautics Board. Any third party liability of the Franchisee  
3 shall be limited to the amount of the insurance cover so specified.  
4

5 **SEC. 11. *Franchisee as Deputy of ATO.*** - Whenever the Air Transport  
6 Office is not present in any airport point of origin or destination within the  
7 Philippines, the Franchisee shall automatically assume the status as the deputy of  
8 the Air Transportation Office for air safety purposes.  
9

10 In cases of extreme urgency for necessary repairs, the Franchisee shall, so  
11 as not to jeopardize the operations of the airport and/or the aircraft, cause the  
12 necessary repairs, subject to reimbursement by the Government.  
13

14 The Franchisee, as well as the airports operated by the Franchisee shall not  
15 be subject to any restrictive operations by any government agency except those  
16 that pertain to the national interest. Regular reports on all airports operated by the  
17 Franchisee shall be made by the Franchisee to the ATO.  
18

19 **SEC. 12. *Report to the Office of the Transportation Secretary.*** - In case  
20 of emergencies, the Franchisee is mandated to report any operational hazards or  
21 imminent danger involving national security within the airport premises to the  
22 Office of the Transport Security.  
23

24 **SEC. 13. *Safety Requirement.*** - All rural aircraft shall comply with the  
25 minimum safety requirement prescribed by the Air Transportation Office.  
26

27 **SEC. 14. *Tax Incentives.*** - The Franchisee as operation of rural airport  
28 shall be exempt from any and all taxes, including income, capital gains, lease,  
29 rental, gross, value-added, *ad valorem*, compensating, import and export duties on  
30 its aircraft parts and maintenance and overhauling equipment, interest on loans  
31 and dividends on investment contracted or granted, fuel, oil, and real estate taxes.  
32

33 In lieu of said taxes, the Franchisee shall, as the Air Transportation Office  
34 deems necessary, and after going over the financial records of the Franchisee,  
35 regularly adjust the airfare rate to make it more affordable to passengers as  
36 compared to the prevailing rates of other commercial airlines.  
37

1           **SEC. 15. *No Disruption Policy.*** - As the rural airport is vital to the air  
2 transport system in particular and the economy in general, its operations may not  
3 be disrupted by any agency unless specifically approved by the President of the  
4 Philippines and such disruptions shall not exceed thirty (30) days for any one  
5 occasion.

6  
7           **SEC. 16. *Duration of the Privilege.*** - These powers and privileges herein  
8 presented to an eligible Franchisee shall be valid for twenty-five (25) years and  
9 renewable for another twenty-five (25) years, unless invalidated by Congress.

10  
11           **SEC. 17. *Penalty.*** - Violators of this Act shall be subjected to a fine of ten  
12 thousand pesos (Php10,000.00) or imprisonment of six (6) months, or both, for  
13 any offense against the provisions of this Act.

14  
15           **SEC. 18. *Separability Clause.*** - If any of the provisions of this Act is  
16 declared unconstitutional, the other provisions shall remain valid.

17  
18           **SEC. 19. *Repealing Clause.*** - All other decrees, laws, rules and  
19 regulations, and other issuances or parts thereof, inconsistent with this Act are  
20 hereby repealed or modified accordingly.

21  
22           **SEC. 20. *Effectivity.*** - This Act shall take effect after fifteen (15) days  
23 from its publication in at least two (2) newspapers of general circulation.

24  
25           ***Approved,***