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HOUSE OF REPRESENTATIVES

H. No. 6317

BY REPRESENTATIVES TUGNA, ALVAREZ (F.), MARCOLETA AND VIOLAGO, PER COMMITTEE REPORT NO. 373

AN ACT GRANTING THE MAGNUM.AIR(SKYJET) INC. A FRANCHISE TO ESTABLISH, OPERATE AND MAINTAIN DOMESTIC AND INTERNATIONAL AIR TRANSPORT SERVICES

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

SECTION 1. *Nature and Scope of Franchise.* – Subject to the provisions of the Constitution and applicable laws, rules and regulations, there is hereby granted to MAGNUM.AIR(SKYJET) INC., hereunder referred to as the grantee, its successors or assignees, a franchise to establish, operate and maintain transport services for the carriage of passengers, mails, goods and property by air, both domestic and international.

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

The grantee shall have the right at its terminal and landing fields, as well as in its aircraft, to construct, operate and maintain stations or transmitting sets for wireless telegraphy and direction findings, and other radio aids to air navigation, using wavelengths in accordance with the rules and regulations

made from time to time by the proper agencies of the government. The wireless communication facilities shall be used solely for receiving and transmitting weather forecasts and other matters in connection with the grantee's services.

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

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

The grantee's equipment and the operation of such equipment shall at all times be subject to inspection and regulation by the CAAP. The grantee shall comply with the provisions of Republic Act Numbered Seven Hundred and Seventy-Six (R.A. No. 776), otherwise known as the "Civil Aeronautics Act of the Philippines", and the regulations promulgated thereunder from time to time.

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

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

SEC. 5. *Term of Franchise.* – This franchise shall be for a term of twenty-five (25) years from the date of the effectivity of this Act, unless sooner revoked or cancelled. This franchise shall be deemed *ipso facto* revoked in the event the grantee fails to comply with any of the following conditions:

(a) Commence operations within one (1) year from the approval of its permit by the CAB;

(b) Operate continuously for two (2) years; and

(c) Commence operations within two (2) years from the effectivity of this Act.

SEC. 6. *Bond.* – The grantee shall file a bond issued in favor of the CAB, which shall determine the amount, to guarantee the compliance with and fulfillment of the conditions under which this franchise is granted. If after three (3) years from the date of the approval of its permit by the Board, the grantee shall have fulfilled the same, the bond shall be released by the Board. Otherwise, the bond shall be forfeited in favor of the government and the franchise *ipso facto* revoked.

SEC. 7. *Landing Facilities.* – The grantee may use the landing and other airport facilities on land and water as may be maintained or owned by the government within the Philippines on the grantee's line subject to such terms and conditions, restrictions and national policy considerations as the Philippine government may impose: *Provided,* That the Philippine government shall have the right to use the landing and other airport facilities as may be maintained or owned by the grantee in the Philippines.

SEC. 8. *Contracts.* – The grantee is authorized to enter into transportation contracts with the Philippine government, including the carrying of mail, upon such terms and conditions as may be mutually agreed upon. The grantee shall give preferential consideration to contracts with the Philippine government. The grantee may likewise enter into transportation maintenance and/or servicing contracts, and such other contracts relating to air transport with other foreign-owned airlines particularly with those which have international routes.

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

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

SEC. 11. *Sale, Lease, Transfer, Grant of Usufruct, or Assignment of Franchise.* – The grantee shall not sell, lease, transfer, grant the usufruct of, nor assign this franchise or the rights and privileges acquired thereunder to any person, firm, company, corporation or other commercial or legal entity, nor merge with any other corporation or entity, nor shall the controlling interest of the grantee be transferred, whether as a whole or in part, and whether

simultaneously or contemporaneously, to any such person, firm, company, corporation or entity without the prior approval of the Congress of the Philippines. Any person or entity to which this franchise is sold, transferred or assigned shall be subject to the same conditions, terms, restrictions and limitations of this Act.

SEC. 12. *Dispersal of Ownership.* – In accordance with the constitutional provision to encourage public participation in public utilities, the grantee shall offer at least thirty percent (30%) of its outstanding capital stock or a higher percentage that may hereafter be provided by law in any securities exchange in the Philippines within five (5) years from the commencement of its operations. Noncompliance therewith shall render the franchise *ipso facto* revoked.

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

SEC. 14. *Equality Clause.* – In the event that any competing individual, partnership or corporation receives or enjoys or shall receive similar permit or franchise with terms, provisions and/or privileges more favorable than those herein granted or which tend to place the herein grantee at any disadvantage, then such terms and/or provisions shall be deemed part hereof and shall operate equally in favor of the herein grantee.

SEC. 15. *Repealability and Nonexclusivity Clause.* – This franchise shall be subject to amendment, alteration, or repeal by the Congress of the Philippines when the public interest so requires and shall not be interpreted as an exclusive grant of the privilege herein provided for.

SEC. 16. *Separability Clause*. – If any of the sections or provisions of this Act is held invalid, all other provisions not affected thereby shall remain valid.

SEC. 17. *Repealing Clause*. – All laws, decrees, executive orders, rules and regulations or any part or provision thereof which are not consistent with this Act are hereby repealed, amended, or modified accordingly.

SEC. 18. *Effectivity*. – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,

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