


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

7 JUL -3 P5:33

SENATE

RECEIVED BY 

S. B. No. 870

INTRODUCED BY SENATOR EDGARDO J. ANGARA

EXPLANATORY NOTE

One of the more important whereas clause in a resolution adopted by the International Civil Aviation Organization (ICAO) in its 32nd General Assembly Meeting is that of encouraging each member state to **establish a single, centralized, and autonomous civil aviation authority to deal with all matters of civil aviation.**

Countries like the United Kingdom, New Zealand, Australia, Uganda, Jordan, Pakistan, Singapore, the Fiji Islands, Ireland, Romania, Jamaica, South Africa, Sri Lanka, and Trinidad and Tobago have all restructured their regulatory policies and framework and created a "stand-alone civil aviation authority" that had worked to their advantage in promoting their aviation industry thru reduced bureaucracy and inefficiency in meeting ICAO standards and recommended practices.

The new Civil Aviation Authority of the Philippines (CAAP) will be responsible for the provision of safe and efficient management of all services permitting aviation access to and from the Philippines. The main object of this Act is to establish a regulatory framework for maintaining, enhancing and promoting domestic and international civil aviation in the country, with particular emphasis on aviation safety at all times.

I urge my colleagues to support the CAAP bill with the certainty that this reform will spur the development of a more state-of-the art and dynamic civil aviation industry and consequently, tourism industry in our country.


EDGARDO J. ANGARA
Senator

FOURTEENTH CONGRESS OF THE)
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INTRODUCED BY SENATOR EDGARDO J. ANGARA

AN ACT CREATING THE CIVIL AVIATION AUTHORITY OF THE PHILIPPINES FOR THE REGULATION OF ALL CIVIL AVIATION ACTIVITIES AND INSTITUTION OF SAFETY REQUIREMENTS, DEFINING ITS POWERS AND FUNCTIONS, AND FOR OTHER PURPOSES.

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

ARTICLE I

GENERAL PROVISIONS

1
2
3
4
5
6 SECTION 1. *Short Title.* This Act shall be known as the “*Civil Aviation Act of 2007.*”
7
8
9

10 SEC 2. *Declaration of Policy.* It is hereby declared the policy of the
11 State to provide safe and efficient air transport and regulatory services in the
12 Philippines by providing for the creation of a single, centralized civil aviation
13 authority, with sole jurisdiction over the restructuring of aviation regulatory
14 regime, and the promotion, development and regulation of the technical,
15 economic, and aviation security functions.
16
17

18 SEC 3. *Definitions.* For purposes of this Act,
19

- 20 a) “*Aircraft*” means any machine or craft that can derive support in the
21 atmosphere from the reactions of the air, other than the reactions of
22 the air against the earth’s surface;
23
24 b) “*Air route*” means the navigable airspace between two points and the
25 terrain beneath such airspace identified, to the extent necessary, for
26 application of flight rules;
27

- 1 c) ***“Air route and airway facilities”*** means facilities provided to
2 permit safe navigation of aircraft within the airspace of air routes and
3 airways, including:
4 (a) visual and non-visual aids along the air routes and airways;
5 (b) visual and non-visual aids to approach and landing at
6 aerodromes;
7 (c) communications services;
8 (d) meteorological observations;
9 (e) air traffic control services and facilities; and
10 (f) flight service services and facilities.
11
- 12 d) ***“Aerodrome”*** means any area of land or water designed, equipped, set
13 apart or commonly used for affording facilities for the landing and
14 departure of aircraft and includes any area or space, whether on the
15 ground, on the roof of a building or elsewhere, which is designed,
16 equipped or set apart for affording facilities for the landing and
17 departure of aircraft capable of descending or climbing vertically, and
18 also includes an airport;
19
- 20 e) ***“Airman”*** means—
21 1. any individual who engages, as the person in command or as a
22 pilot, mechanic or member of the crew, or who navigates an
23 aircraft while the aircraft is underway;
24 2. any individual in charge of the inspection, maintenance,
25 overhauling or repair of aircraft, and any individual in charge of
26 the inspection, maintenance, overhauling, or repair of aircraft,
27 aircraft engines, propellers or appliances; or
28 3. any individual who serves in the capacity of flight operations
29 officer;
30
- 31 f) ***“Aircraft engine”*** means any engine used, or intended to be used, for
32 propulsion of aircraft and includes all parts, appurtenances and
33 accessories, other than propellers;
34
- 35 g) ***“Air navigation”*** means the practice of controlling, guiding and
36 operating aircraft from airport of departure to predetermined airport of
37 destination, including alternate airports. To ensure safety, regularity
38 and efficiency of civil aviation operations, standardization and common
39 understanding among all parties involved are essential in all matters
40 affecting the operation of aircraft and the numerous facilities and
41 services required in their support, such as aerodromes,
42 telecommunications, navigation aids, meteorology, air traffic services,
43 search and rescue, aeronautical information services and aeronautical
44 charts, in accordance with the procedures, rules and regulations
45 contained in the appropriate ICAO Annexes;
46
- 47 h) ***“Air navigation facility”*** means any facility used in, available for
48 use in, or designed for use in aid of, air navigation, including airports,
49 landing areas, lights, any apparatus or equipment for disseminating
50 weather information, for signaling, for radio directional finding, or for
51 radio or other electromagnetic communication, and any other structure
52 or mechanism having a similar purpose for guiding or controlling flight
53 in the air or in the landing and take-off of aircraft;
54

- 1 i) **“Air navigation services”** includes information, directions and other
2 facilities furnished, issued or provided in connection with the
3 navigation or movement of aircraft, and the control of movement of
4 vehicles in any part of an aerodrome used for the movement of aircraft;
5
- 6 j) **“Air operator”** means any organization which undertakes to engage
7 in domestic commercial air transport or international commercial air
8 transport, whether directly or indirectly or by a lease or any other
9 arrangement;
10
- 11 k) **“Air Operator Certificate”** means a certificate authorizing an
12 operator to carry out specified commercial air transport operations;
13
- 14 l) **“Air transport service”** means a service for the carriage by air of
15 passengers or cargo;
16
- 17 m) **“Appliances”** means instruments, equipment, apparatus, parts or
18 accessories, of whatever description, which are used or are capable of
19 being used, in the navigation, operation or control of aircraft, including
20 parachutes, communications equipment and any other mechanisms
21 installed in or attached to aircraft during flight, and which are not part
22 or parts of aircraft, aircraft engines or propellers;
23
- 24 n) **“Authority”** means the Civil Aviation Authority of the Philippines
25 established under Section 4 of this Act;
26
- 27 o) **“Aviation”** or **Air Transport**, refers to the activities surrounding
28 mechanical flight and the aircraft industry;
29
- 30 p) **“Aviation document”** means any license, certificate, or other
31 document issued by the Authority in respect of any person, aircraft,
32 aerodrome or aviation related service;
33
- 34 q) **“Board”** means the Board of the Civil Aviation Authority of the
35 Philippines established under section 7 of this Act;
36
- 37 r) **“Cargo”** includes mail;
38
- 39 s) **“Chicago Convention”** means the Convention on International Civil
40 Aviation (ICAO) concluded at Chicago on 7th December, 1944 and
41 includes any Protocol amending the Convention and any Annex to that
42 Convention relating to international standards and recommended
43 practices, being an Annex adopted in accordance with that Convention;
44
- 45 t) **“Commander”** in relation to an aircraft, means the member of the
46 crew designated for the time being as commander of that aircraft by
47 the operator thereof, or, failing such a person, the person who for the
48 time being is the pilot in command of the aircraft;
49
- 50 u) **“Contracting State”** means a country which is a party to the Chicago
51 Convention;
52
- 53 v) **“Corporate plan”** means a plan prepared in accordance with section
54 15;

- 1 w) ***“Dangerous goods”*** means articles or substances which are capable of
2 posing significant risk to health, safety or property when transported
3 by air;
4
- 5 x) ***“Director General”*** means the Director General of Civil Aviation
6 appointed under section 13;
7
- 8 y) ***“Flight”*** means any period from the moment when all the external
9 doors of an aircraft are closed following embarkation, until the moment
10 when any of such doors are open for disembarkation;
11
- 12 z) ***“GAAP”*** means Generally Accepted Accounting Practice;
13
- 14 aa) ***“Loss or damage”*** includes, in relation to persons, loss of life and
15 personal injury;
16
- 17 bb) ***“Member”*** means a member of the Board;
18
- 19 cc) ***“Navigation of aircraft”*** means a function which includes the
20 piloting of aircraft;
21
- 22 dd) ***“Operator”*** means—
23
- 24 (a) a person, organization or enterprise, engaged in or offering to
25 engage in, aircraft operations, and any person who causes or
26 authorizes the operation of aircraft, in the capacity of owner,
27 lessee or otherwise, whether with or without the control of the
28 aircraft; and
29 (b) who or which is deemed to be engaged in the operation of
30 aircraft within the meaning of this Act;
31
- 32
- 33 ee) ***“Propeller”*** includes all parts, appurtenances and accessories of a
34 propeller;
35
- 36 ff) ***“public aerodrome or airport”*** means an aerodrome or airport
37 which is under the management of body corporate established or
38 owned by the State;
39
- 40 gg) ***“Rules of the Air”*** means those provisions for securing the safety of
41 aircraft in flight and in movement on the surface and the safety of
42 persons and property on the surface.
43
- 44 These provisions include—
45
- 46 (a) lights and signals to be shown by aircraft;
47 (b) General, Visual and Instrument Flight Rules;
48 (c) Aerodrome Traffic Rules; and
49 (d) Aerodrome Signals and Markings;
50
- 51 hh) ***“Philippine aircraft”*** means aircraft registered in the Philippines.
52
53
54

ARTICLE II

1
2 **ESTABLISHMENT, POWERS AND FUNCTIONS OF**
3 **THE CIVIL AVIATION AUTHORITY OF THE PHILIPPINES**
4
5

6 **SEC 4. *Creation of the Civil Aviation Authority of the***
7 ***Philippines.*** – All civil aviation affairs shall be administered by the
8 Philippine Civil Aviation Authority, hereinafter referred to as the
9 “***Authority,***” to replace the Air Transportation Office (ATO) and the Civil
10 Aeronautics Board (CAB) organized under Republic Act 776, and is attached
11 to the Department of Transportation and Communications for the purpose of
12 policy coordination.
13
14

15 **SEC 5. - *Powers and Functions of the Civil Aviation Authority of***
16 ***the Philippines.*** In addition to the powers provided for under Republic Act
17 No. 776, as amended, the Authority shall:
18

- 19 a) Maintain a standard of safety and efficiency in the civil aviation
20 system that is at least equal to the standard of safety prescribed by the
21 Chicago Convention and any other aviation convention, agreement or
22 understanding to which the Philippines is a party thereto and
23 consistent with national security policy;
24 b) Formulate, coordinate and regulate the implementation of rules and
25 regulations, governing the technical, economic, and security aspects of
26 civil aviation;
27 c) Control, supervise and regulate all civil aviation activities, including
28 but not limited to the transport of passengers, cargo, air services,
29 aviation companies, and persons, firms, corporations engaged in
30 providing air transportation services, and related services;
31 d) Issue, renew, vary, extend and amend licenses and other aviation
32 documents, and to collect fees in respect thereof;
33 e) Carry out an investigation of any aircraft accident occurring in or over
34 the Philippines or in relation to any Philippine aircraft;
35 f) Use the property of the Authority in such a manner as may appear to
36 the Authority to be requisite, advantageous or convenient with a view
37 to making the best use of any of the property of the authority in
38 relation to its functions under the Act;
39 g) Undertake projects for the construction of civil airways, navigation
40 facilities, offices, stations, aerodromes, airport-related facilities and
41 equipment, throughout the Philippines for the purpose of carrying out
42 its oversight and services functions, consistent with the Standards and
43 Recommended Practices (SARPs) adopted by the International Civil
44 Aviation Organization (ICAO);
45 h) Exercise overall jurisdiction over governmental functions of civil
46 aviation, including the supervision, control and regulations on matters
47 relating to safety and security of aircraft, airport facilities and
48 installations, whether government or privately owned, as well as the
49 supervision and regulation of safety and security in the Ninoy Aquino
50 International airport (NAIA), Mactan-Cebu International Airport
51 (MCIA), Diosdado Macapagal International Airport (DMIA), Subic
52 Bay International Airport (SBIA), and other airport/s which maybe
53 created in the future;

- 1 i) Determine, fix, and / or prescribe charges and / or rates pertinent to
- 2 the operation of public air transportation and services;
- 3 j) Exercise eminent domain over areas under its jurisdiction;
- 4 k) Exercise police powers and other law enforcement powers over areas
- 5 under its jurisdiction and for this purpose, to coordinate with the
- 6 Philippine National Police and other law enforcement agencies; and
- 7 l) Perform other related functions necessary, or in connection with, or are
- 8 required to achieve the objectives of the CAAP under this Act.

9
10 In performing its functions and exercising its powers, the Authority
11 shall have as its paramount consideration the safety of aviation.

12
13 Subject to the preceding paragraph, the Authority shall perform its
14 functions and exercise its powers in a manner that ensures, as far as
15 practicable, that the environment is protected from any detrimental effects
16 associated with the operation and use of aerodrome and aircraft and for this
17 purpose the Authority shall observe the provisions of Philippine
18 environmental laws.

19
20
21 **SEC. 6. Corporate Powers** – The Authority shall have the following
22 corporate powers:

- 23
- 24 a) To succeed in its corporate name;
- 25 b) To sue and be sued in its corporate name, and to adopt, use and alter
- 26 its corporate seal, which shall be judicially noticed;
- 27 c) To adopt, amend or repeal its By-Laws;
- 28 d) To enter into, make, perform, and carry out contracts of every class,
- 29 kind and description, which are necessary or incidental to the
- 30 realization of its purposes, with any person, domestic or foreign private
- 31 firm, or corporation, local or national government office, agency, and
- 32 with international institutions, or foreign government;
- 33 e) To raise money, contract loans, indebtedness, credit and issue
- 34 commercial papers and bonds, in any local or convertible foreign
- 35 currency from any international financial institutions under terms and
- 36 conditions prescribed by law, rules and regulations;
- 37 f) To execute any deed of guarantee, mortgage, pledge, and trust or
- 38 assignment of any property for the purpose of financing the programs
- 39 and projects deemed vital for the attainment of its goals and objectives;
- 40 g) To construct, acquire, own, hold, operate, maintain, administer, and
- 41 lease personal and real properties, including buildings, machinery,
- 42 equipment, and other infrastructure, agricultural lands, and its
- 43 improvements, property rights, and interest therein, and to encumber,
- 44 mortgage, dispose, sell, or alienate or otherwise dispose the same at
- 45 the fair market value it may deem appropriate; to lease its plant,
- 46 machinery, equipment or goods not immediately required by it;
- 47 h) To receive gifts, donations, grants, bequests, services, properties,
- 48 whether personal or real, and assistance of all kinds, from private and
- 49 public sources, firms, institutions, domestic and foreign governments,
- 50 and international institutions, and utilize the same for the purposes
- 51 set forth in this Act;
- 52 i) To invest its funds and other assets in such areas, ventures, and
- 53 projects as it may deem wise;

- 1 j) To settle under such terms and conditions most advantageous to it,
2 any claim by or against it;
3 k) To determine and keep its own system of accounts following generally-
4 accepted principles of accounting, as well as the forms and contents of
5 its contracts and other business documents; and
6 l) To perform such other acts, as are necessary or convenient in
7 connection with the performance of its functions, to carry out the
8 purposes of this Act.
9

10
11 **SEC. 7. *Subsidiaries*** – The authority shall have the **power to form,**
12 **establish, organize, and maintain corporation or corporations.** Such
13 subsidiary or subsidiaries shall be formed in accordance with the *Corporation*
14 *Code of the Philippines* and the existing rules and regulations promulgated
15 by the Securities and Exchange Commission, unless otherwise provided for in
16 this Act.
17

18
19
20 **ARTICLE III**

21
22 **COMPOSITION, POWERS, AND FUNCTIONS**
23 **OF THE BOARD OF DIRECTORS**
24

25
26 **SEC. 8. *Board of Directors*** – The Board of Directors of the Authority
27 shall exercise the following powers and functions:
28

- 29 a) Provide comprehensive policy guidance for the promotion and
30 development of the aviation industry as provided for in this Act;
31 b) Decide the objectives, strategies, and policies to be followed by the
32 Authority;
33 c) Ensure that the Authority performs its functions in a proper, efficient,
34 and effective manner;
35 d) Determine the organizational structure of the Authority, establish a
36 human resources management system based on merit and fitness, and
37 adopt a rationale compensation and benefits scheme;
38 e) Approve the annual and supplementary budgets for submission to
39 Congress;
40 f) Approve the annual and supplementary budget plan for utilization of
41 the retained revenue; and
42 g) Submit an annual report on the accomplishments of the CAAP at the
43 close of each calendar year, for submission to the President of the
44 Philippines.
45

46
47 **SEC.9. *Board Meetings.*** - The Board shall meet regularly once a
48 month and may hold special meetings to consider urgent matters upon call of
49 the Chairman or concurrence of at least three (3) members.
50

51 The Board shall likewise prescribe the internal rules of procedure in
52 the conduct of its meetings.
53
54

1 **SEC. 10. Composition.**- The seven-member Board shall be composed
2 of the Secretary of the DOTC as *ex-officio* Chairman, a Vice-Chairman to be
3 elected among the members of the Board, the Director-General as a member,
4 and four (4) members who shall from either the private sector or relevant
5 government agencies.
6

7 In no case shall the Director-General be elected as Vice-Chairman.
8

9 The regular members shall be appointed by the President for a term of
10 five (5) years. Of the members of the Board, the Vice-Chairman and the
11 DGCA shall be appointed for a term of five (5) years; two (2) shall be
12 appointed for a term of four (4) years; and two (2) for a term of three (3)
13 years. In case of vacancy, the appointee shall serve the unexpired term of the
14 predecessor. Members of the Board are eligible for two (2) reappointments.
15

16 No person shall be appointed or designated as a member of the Board
17 unless he is a Filipino citizen, of good moral character, unquestionable
18 integrity, probity, and competence in the field of aviation, aeronautical
19 engineering, economics, law and internal relations, and management in
20 related fields.
21

22 Members of the Board shall be reimbursed by the Authority for actual
23 expenses, including traveling and subsistence, incurred by them in the
24 performance of their duties. The per diems of the members of the Board shall
25 be determined pursuant to a resolution to be adopted by the same, which
26 shall be adjusted annually, based on the consumer price index as determined
27 by the national government.
28

29 No member of the Board shall have pecuniary interest, directly or
30 indirectly, in any business contract or transaction entered into by the
31 Authority or in any privilege granted by it. Neither shall a member have any
32 interest, financial or otherwise, in any undertaking or business with an
33 inherent conflict of interest with the Authority.
34

35
36 **SEC 11. Declaration of Interest.**
37

38 (1) Any member of the Board who was in any way, whether directly or
39 indirectly, interested in a contract or proposed contract with or in any
40 other matter concerning an entity regulated by the Authority, or any
41 body corporate carrying on business with the Authority, shall, as soon
42 as possible after the relevant facts have come to his knowledge,
43 disclose the nature of his interest.
44

45 (2) A disclosure under subsection (1), shall be recorded in the minutes of
46 the Board, and the member—
47

48 (a) shall not take part after the disclosure in any deliberation or
49 decision of the Board with respect to that contract; and
50

51 (b) shall be disregarded for the purpose of constituting a quorum of the
52 Board.
53

1 (3) For purposes of this section, a person who or any nominee or relative of
2 whom is a *Director*, a shareholder or partner in a company or other
3 body of persons other than a statutory authority or who is an employee
4 thereof shall be treated as having indirectly, a pecuniary interest in a
5 contract or proposed contract or such other body of persons is a party
6 to the contract or proposed contract or has a pecuniary interest in such
7 other matter under consideration.
8
9

10 **SEC 12. *Limitation on Subsequent Employment.*** No member or
11 former member, shall accept employment or enter into a contract of service
12 with an entity regulated by the Authority, until the expiry of two years from
13 the termination of his appointment whether by signature, revocation, or
14 otherwise.
15

16 **ARTICLE IV**

17 **PLANNING, MANAGEMENT AND FINANCE**

18
19
20
21
22 **SEC 13. *Corporate Plan.*** Upon effectivity of this Act, the Board shall
23 prepare, a three year corporate plan (hereinafter referred to as "*the Plan*"),
24 in respect of the programs or goals of the Authority.
25

26 The Plan shall include details of the following:
27

- 28 (a) the Authority's operational environment;
- 29 (b) the strategies of the Authority;
- 30 (c) performance measures of the Authority;
- 31 (d) review of performance against previous Plans;
- 32 (e) analysis of risk factors likely to affect aviation safety in the aviation
33 industry; and
- 34 (f) human resource management system based on merit and fitness;
35 and
- 36 (g) industrial relations strategies
37

38 The Plan shall also cover any other matters required by the Secretary
39 of the DOTC to be covered, which may include further details about the
40 matters referred to in the preceding paragraph subsection (2).
41

42 The Plan may be revised at least once a year and up to sixty days
43 before the end of the first year of the Plan.
44

45 The Board shall keep the Secretary of Department of Transportation
46 and Communication informed about the (a) significant changes to the Plan;
47 and (b) matters that arise that could significantly affect the objectives of the
48 Plan.
49
50
51

52 **ARTICLE V**

53 **BOARD OFFICERS**

54

1
2
3 **SEC. 14 *The President.*** – The President of the authority shall be
4 known as the Director General of Civil Aviation (DGCA) and must be an
5 airman or must have been an airman, with at least ten (10) years of
6 experience in the field of aviation, five (5) years of which shall be in a senior
7 management position.

8
9 The President /DGCA, as the Chief Executive and Operating Officer of
10 the Authority, shall:

- 11
12 a) Execute, administer and implement the objectives, policies and
13 programs approved by the Board; enforce decisions, orders, rules and
14 regulations approved or prescribed by the Board;
- 15 b) Direct, supervise the management, operations and administration of
16 the Authority;
- 17 c) Represent the Authority in all dealings with offices, agencies and
18 instrumentality of the Government, and with all persons, firms and
19 institutions, *public and private, domestic and foreign, including the*
20 *International Civil Aviation Organization, other international*
21 *agencies, and institutions;*
- 22 d) Provide for rules and regulations, as maybe required, covering (i) air
23 transport services, (ii) air navigation services including the
24 establishment, administration, registrations, inspections,
25 classification, ratings, issuance, denial, revocation, cancellation,
26 modification, investigations, of civil airways navigation radio and
27 telecommunication facilities, appliances, aerodromes, repair stations,
28 training schools, and other air agencies installations, (iii) licenses,
29 permits, certificates, type certificates of all kinds classes and nature,
30 (iv) aircraft accidents; and (v) such other rules regulations, standards,
31 practices, methods, procedures as the Director General may determine,
32 enforce the same, impose fines, penalties and similar sanctions for any
33 violations thereof; to ensure the safety, effectiveness and efficiency of
34 air transportation, consistent with national objectives, and existing
35 treatise, connections and agreements;
- 36 e) Exercise police powers in all areas within the jurisdiction of the
37 Authority, enforce all laws, regulations and rules relating thereto in
38 the exercise of these powers, he shall coordinate closely with the
39 Philippine National Police and other law enforcement agencies of
40 government;
- 41 f) Exercise the powers provided for in Republic Act No. 776, not
42 inconsistent with this Act, nor otherwise repealed, until declared null
43 and void by the Authority in relation to the duties and responsibilities
44 of his office, and to the purpose and objectives and of the Authority;
45 and
- 46 g) Perform such powers, and duties provided for in this Act, or as may be
47 delegated by the Board.
- 48
49
50

51 **SEC. 15. *Exemption from Rules and Regulations of the***
52 ***Compensation and Position Classification Board.*** – The Authority shall
53 have the power to determine and fix the compensation and fringe benefits of
54 employees holding technical positions that is not common to the other

1 agencies of the government which shall be specified in the Implementing
2 Rules and Regulations. The Authority shall be exempted from coverage of the
3 rules and regulations of the Compensation and Position Classification Board.
4
5

6 **SEC. 16. *Development of Airports and other Ancillaries.***- The
7 development and construction of national airports will be under the
8 Department of Transportation and Communications (DOTC) subject to the
9 transfer of its maintenance and management to CAAP when said airports
10 become operational.
11
12
13

14 15 **ARTICLE VI**

16 17 **CAPITAL AND FISCAL ADMINISTRATION**

18
19 **Sec. 17. *Capitalization.*** - The Authority shall have an authorized
20 capital stock of Seventy-Five Billion Pesos (P75,000,000,000.00) and shall be
21 fully subscribed by the Republic of the Philippines.
22

23 The subscription of the National Government shall be paid as follows:
24

- 25 a) The unexpended balances of appropriations in the current General
26 Appropriations Act, Executive Order No. 132 and other acts in force
27 upon approval hereof, pertaining to, held or used by, or the Air
28 Transportation Office, of the Department of Transportation and
29 Communications;
- 30
31 b) The values of all existing assets of the Civil Aeronautics
32 Administration, the Bureau of Air Transportation, and its present
33 successor, the Air Transportation office, and the various
34 aeronautical facilities throughout the country owned by the
35 aforementioned offices or agencies, which shall be determined by an
36 independent and qualified appraiser or appraisers within 180 days
37 upon effectivity of this Act;
- 38
39 c) Any surplus income that may have accrued to or be derived from
40 the Authority upon its organization into a corporate body and its
41 assumption of the assets and liabilities of the Air transportation
42 Office (ATO); and
- 43
44 d) Such amount as may be appropriated from time to time from the
45 funds of the National Treasury not otherwise appropriated,
46 including any outlay from the infrastructure program of the
47 National Government. The initial operating capital for the
48 Authority in the amount of One Billion Nine Hundred Million Pesos
49 (P1,900,000,000.00) is hereby authorized to be appropriated out of
50 any funds of the National Treasury not otherwise appropriated
51 which shall be covered by preferred shares of the Authority and
52 which shall be retirable within five (5) years.
53
54

1 **SEC 18. *Civil Aviation Authority of the Philippines' Fund.*** -
2 There is hereby established a fund to be known as the "Civil Aviation
3 Authority of the Philippines Fund" (hereinafter referred to as "*the CAAP*
4 *Fund*").

5
6 The operating expenses shall be drawn against:

- 7 a) All revenues from the aeronautical and allied services operated or
8 rendered by the Authority;
- 9 b) Such sums as are provided by foreign states, international
10 organizations, multilateral or bilateral lending agencies, corporations
11 or private individuals for the exercise of any of the functions of the
12 Authority; or
- 13 c) Proceeds from sales of bonds, grants, donations, disposals of assets and
14 sales of disposable assets, loans and other forms of indebtedness
15 entered in to by Authority;
- 16 d) Interests which may be earned on investments or on idle cash of the
17 Authority; and
- 18 e) Drawings upon the capital or surplus of the Authority.
- 19
20

21 **SEC 19 *Application of Fund.*** - The money in the Fund shall be
22 applied in defraying the following expenditure:

- 23
24 (a) Acquisition of property by the Authority in the performance of its
25 functions or exercise of its powers;
- 26 (b) Remuneration and allowances of members of the Board;
- 27 (c) Remuneration, allowances, advances, loans, pensions and gratuities
28 payable or made to employees;
- 29 (d) Capital and operating expenses, including maintenance and insurance
30 of the property of the Authority; and
- 31 (e) Any other expenditure authorized by the Authority in the performance
32 of its functions.
- 33
34

35 **SEC 20. *Accounts and Audit.*** - The Authority shall keep proper
36 books of accounts and records in accordance with GAAP, of all moneys
37 received and expended and shall record the matters in respect of which such
38 sums were received and expended.

39
40 Within three months after the end of each financial year, the Authority
41 shall cause to be prepared, in respect of that year—

- 42 (a) A report setting out the activities of the Authority; and
- 43 (b) Financial statements prepared in accordance with GAAP and any
44 other statement as required by the Minister with responsibility for
45 Finance.
- 46

47 For purposes of this Act, the term "*financial year*" shall be for a
48 period of twelve months beginning the first day of April in any year to the
49 thirtieth day of March in every year. The Authority may vary its financial
50 year.

51
52
53

1 **SEC. 21. Retention of Earnings Collected and Dispositions**
2 *Thereof.* - Eighty percent (80%) of the total earnings collected by the
3 Authority under the provisions of this Act shall be retained and utilized as it
4 may deem necessary and appropriate, to carry out the objectives and policies
5 of this Act.

6
7
8 **SEC. 22. Management of Funds.** - The authority may invest any of
9 its funds not immediately required for operating expenses, or other
10 immediate obligations in any business venture that it may deem appropriate,
11 or in such secured notes, government securities, and other negotiable
12 instruments that satisfy the guidelines prescribed by the Board.

13
14 Funds of the Authority shall be deposited in such commercial and
15 universal banks as the Authority may determine, subject to the requirements
16 of existing laws.

17
18
19 **SEC 23. Obligations.** Upon approval of the President, with prior
20 concurrence of the Monetary Board, the Authority shall be authorized to
21 secure or contract domestic or foreign loans, credits and other indebtedness,
22 and to issue bonds, notes, debentures, securities and other instruments of
23 indebtedness, as it may deem necessary to carry out the purposes of this Act,
24 *Provided, however:*

- 25
26 a) That the outstanding liabilities and obligations, foreign and domestic,
27 shall not exceed, at any time, fifty percent (50%) of its net worth;
28 b) That the annual amortization on principal and interest shall not be
29 more than twenty percent (20%) of the prior year's gross revenues;
30 c) That where the obligations incurred from private sources of capital
31 may be secured by suitable assets or backed by priority claims against
32 property of the Authority;
33 d) That the obligation shall be considered the sole liability of the
34 Authority, unless otherwise guaranteed by the Republic of the
35 Philippines, upon approval of the President, with the prior concurrence
36 of the Monetary Board; and
37 e) That the issuance of bonds or long term notes shall be with prior
38 approval of or in accordance with the rules issued by the National
39 Treasurer.

40
41
42 **SEC 24. Annual Budget.** The Authority shall adopt an annual
43 budget. Unless the Authority shall require subsidy and / or a guarantee of its
44 liability from the National Treasury, its budget for the year need not be
45 submitted to Congress for approval and inclusion in the General
46 Appropriations Act. Supplementary estimates may be prepared and adopted
47 at any of the Board meeting called for that purpose.

48
49
50 **SEC 25. Exemption from Taxes, Customs, and Tariff Duties.** The
51 importation of equipment, machineries, spare parts, accessories, and other
52 materials, including supplies and services used in the operations of the
53 Authority, not obtainable locally, shall be exempt from all direct and indirect

1 taxes, wharfage fees and other charges and restrictions, the existence of
2 pertinent laws to the contrary notwithstanding.

3
4 All obligations entered into by the Authority and any income derived
5 therefrom, including those contracted with private international banking and
6 financial institutions, shall be exempt from all taxes on both principal and
7 interest.

8
9 The Authority is also exempt from the payment of capital gains tax,
10 local government imposts and fees upon the effectivity of this Act.

11 12 13 ARTICLE VII

14 15 REGULATION OF AIR NAVIGATION

16
17 **SEC 26. *Regulation of Air Navigation.*** For the purpose of carrying
18 out and giving effect to the Chicago Convention, and any other related
19 Protocols, the Authority shall establish rules and regulations for—

- 20 (a) the licensing, inspection and regulation of navigation aerodromes;
21 (b) a system for the registration of the national aircraft;
22 (c) the issuing of certificates of airworthiness and for prohibiting aircraft
23 from flying unless such certificates, whether issued or validated are in
24 force;
25 (d) the certification of air operators;
26 (e) the certification of airmen;
27 (f) the certification of aviation schools, approved maintenance
28 organizations and repair stations;
29 (g) the conditions under which passengers may be carried by air and
30 under which aircraft may be used for other commercial, industrial or
31 gainful purposes;
32 (h) the conditions under which goods may be carried by air;
33 (i) securing the efficiency and regularity of the operations of air
34 navigation and the safety of aircraft and of persons and property
35 carried thereon, and of persons and property on the ground;
36 (j) prohibiting the carriage by air, such goods as may be specified by the
37 Regulations;
38 (k) conferring on such persons as may be specified, powers relating to the
39 enforcement of any such condition or prohibition including powers to
40 examine, take samples of, seize and detain any goods, powers to open
41 any baggage or packages containing goods after obtaining from a
42 magistrate a warrant to do so or to require them to be opened and
43 powers to require the production of any documents;
44 (l) prescribing the fees to be paid in respect of the issue, validation,
45 renewal, extension or variation of any aviation document or the
46 undergoing of any examination or test required by, or in pursuance of
47 the Regulations, or in respect of any other matter for which it appears
48 to the Minister to be expedient to charge fees;
49 (m) ensuring that foreign air carriers operating in Trinidad and
50 Tobago comply with the safety and security requirements of the
51 Chicago Convention;
52 (n) registration of mortgages and any other liens on aircraft;
53 (o) giving effect to the Rules of the Air; and
54 (p) for any other matters required by or necessary to implement this Act.

1
2
3 The Authority in considering the grant of a license in relation to an
4 aerodrome shall take into account in addition to other things, the need to
5 minimize so far as is reasonably practicable—

- 6 (a) any adverse effects on the environment; and
7 (b) any disturbance to the public, from noise, vibration, atmospheric
8 pollution or any other cause attributable to the use of aircraft for
9 the purpose of civil aviation.

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11
12
13 **ARTICLE VIII**

14
15 **MISCELLANEOUS AND GENERAL PROVISIONS**

16
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18 **SEC 27. Authority to Administer Oaths.** The Director General shall
19 have the authority to administer oaths in the transaction and performance of
20 official business.

21
22
23 **SEC 28. Statutory Lien on Aircraft, Equipment, and Machinery.**
24 The Authority shall have the power to impose lien on any aircraft,
25 equipment, machinery, *Provided, however:*

- 26
27 a) IF the charges and other fees are not paid in full on the due date for
28 payment, or any part of the charge, or the late payment, penalty
29 thereto remains unpaid;
30 b) For serious and gross violation of the rules and regulations
31 promulgated by the Authority, in connection with its oversight
32 functions, involving safety of navigation, within the various territories
33 of the Authority, such as aerodrome zones, the airspace above said
34 zones, including the landing approaches and departures therefrom,
35 and relevant navigation requirement.

36
37 Aircraft levied upon pursuant to this Section shall be in custody of the
38 Authority, and its clearance shall be withheld until the fines imposed shall be
39 fully paid; of the same levied --- upon which aircraft may be sold after notice
40 to the owners and the proceeds of the sale shall be applied to the payments of
41 the fines and penalties and other obligations that are due and payable.

42
43
44 **SEC 29. Lien on Real and Personal Properties.** The Authority
45 shall have the power to impose lien on the personal and real properties, and
46 other assets of persons, corporations, partnerships, and such other entities
47 that shall be in default, or shall fail to perform their obligations, pursuant to
48 regulations promulgated by the Authority, or shall fail to pay the fines and
49 other penalties imposed for violations of the law, rules, and regulations of the
50 Authority.

51
52 Properties and assets levied upon, after due notice and hearing to the
53 owner /s thereof, may be sold and the proceeds thereof applied to the
54 satisfaction of the obligation, as the Authority may determine.

1
2
3 **SEC 30. General Penalty.** Any violation of the provisions of this Act,
4 or any order, rule, or regulation issued thereunder, or any term, condition, or
5 limitation of any certificate or permit issued under this Act for which no
6 penalty is expressly provided shall be punished by a fine to be determined by
7 the Authority.
8

9
10 **SEC 31. Power to Regulate Height of Buildings and**
11 **Installations that may Endanger the Safety of Flights.** The Authority
12 shall have the power to regulate the height of buildings, towers, antennae,
13 and other edifices, situated within the vicinity of or in close proximity to
14 airports which may endanger flights of aircrafts. It shall also have the power
15 to prohibit or regulate the establishment and operations of electrical,
16 electronics, sound, magnetic, laser, or other gadgets or installations which
17 shall interfere with or impair air navigation installations which shall
18 interfere with air navigation and cause mishaps in the operations of the
19 aircraft.
20

21
22 **SEC 32. Building Permits Subject to Prior Approval of**
23 **Authority.** No building permit or other license, or authority of any kind or
24 nature shall be granted by local authorities with respect to buildings and
25 installations covered by the preceding section, or for any other activity that
26 may endanger the safety of navigation or flight, without the prior approval of
27 the Authority. Should any conflict arise between the Authority and the local
28 government units concerned on matters affecting the safety of navigation as
29 aforesaid above, or other matters within the jurisdiction of the Authority, the
30 decision of the Authority shall prevail.
31

32 For this purpose, the Authority may call upon any law enforcement
33 agency, other instrumentality of the government, or local government, to
34 enforce its rules and regulations, which may include removal of the
35 obstructions to the safety of flight, including the seizure of personal
36 properties that directly or indirectly may cause danger to the safety of
37 navigation or flight.
38

39
40 **SEC 33. Role of Departments, Bureaus, Offices and Other**
41 **Agencies and Instrumentalities of the Government.** All Heads of
42 Departments, Bureaus, Offices, Agencies, and instrumentalities of the
43 Government are hereby directed to give full support to the
44 institutionalization and restructuring program of civil aviation, and to
45 cooperate and coordinate with the Authority to facilitate and expedite the
46 transaction.
47

48
49 **SEC 34. Interlinkages with Local Government Units.** Provisions
50 with existing laws, rules, and regulations to the contrary notwithstanding,
51 the Authority shall exercise administrative and regulatory powers over land,
52 buildings, installations and appurtenances thereto, including the
53 construction of any building, roads, towers, within the territorial areas, the

1 airspace above the zones, including the navigable airspaces. Coordination
2 with local governments units must be effected.

3
4
5 **SEC 35. *Police Authority.*** The Authority shall have the power to
6 exercise such police authority, as it may deem necessary, within its premises
7 or areas of operation, to carry out its functions and attain its purposes and
8 objectives: *Provided, however,* That the Authority may request the assistance
9 of any law enforcement agency, including request for deputation as may be
10 required. Such police authority shall be exercised in relation to the following:
11 providing public safety, maintaining peace and order, ensuring the security of
12 passengers, crew, cargo and aircraft, buildings, installations, equipment and
13 machinery, regulating and controlling entry into, and exit from, and
14 movement within controlled areas, supervising private security guards, and
15 enforcing rules and regulations of the Authority.

16 **ARTICLE IX**

17 **TRANSITORY PROVISIONS**

18
19
20
21 **SEC 36. *Abolition of Existing Offices.*** The Air Transportation Office
22 (ATO) and the Civil Aeronautics Board (CAB) under the Department of
23 Transportation and Communications, are hereby abolished.

24
25 Any arrangement or contract, aviation documents or resolution
26 prepared, made, executed or approved by or on behalf of the ATO and CAB
27 shall continue and be deemed to have been prepared, made, executed or
28 approved by the Authority pursuant to this Act.

29
30 All obligations and liabilities of the ATO and the CAB immediately
31 before the commencement of this Act shall from that date be the obligations
32 and liabilities of the Authority and the Authority shall have all the necessary
33 powers to discharge them.

34
35 All duties and functions carried out by the ATO and the CAB
36 immediately before the commencement of the former Act, and which were
37 carried out by the former Authority, shall from the date of commencement of
38 this Act, be undertaken by the Authority.

39
40 All real and personal property now held by or vested in any person for
41 the use and benefit of the Civil Aviation Division and the former Authority is
42 hereby transferred to and vested in the Authority.

43
44 In any written law and in any document, unless the context otherwise
45 requires, any reference to the Civil Aviation Division and the former
46 Authority shall be construed as a reference to the Authority.

47
48
49
50 **SEC 37. *Transfer of Personnel of the Air Transportation Office***
51 ***and the Civil Aeronautics Board.*** To ensure smooth transition into a
52 corporate structure, the incumbent Assistant Secretary of the ATO shall
53 continue to hold office and assume the powers of the Director-General until
54 his successor shall have been appointed and inducted into office.

1 **SEC 41. *Limited Liability.*** Unless otherwise declared and mutually
2 agreed upon at the time of posting, the liability of the Authority with respect
3 to its contractual obligations shall be limited to existing rules and regulations
4 of these matters.
5

6
7 **SEC 42. *Injunction and Restraining Order.*** The implementation of
8 the projects for the institutionalization and restructuring of the aviation
9 industry are urgent and necessary and shall not be restrained or enjoined
10 except by an order issued by the Supreme Court of the Philippines.
11

12
13 **SEC 43. *Legal Counsel.*** Without prejudice to the appointment of the
14 Corporate Counsel by the Board, the Government Corporate Counsel shall be
15 the *ex-officio* counsel of the Authority.
16

17 **SEC 44. *Auditor.*** The Commission on Audit shall appoint a
18 representative who shall be the full-time auditor of the Authority, and such
19 personnel as may be necessary to assist said representative in the
20 performance of his duties.
21

22 **SEC 45. *Separability Clause.*** If any provision of this Act or an
23 application thereof to any person or circumstance is held to be invalid, the
24 other provisions of this Act, and the application of such provision to other
25 persons or circumstances, shall not be affected thereby.
26

27
28 **SEC 46. *Repealing Clause.*** All existing laws, orders, rules and
29 regulations or parts thereof deemed inconsistent with the provisions of this
30 Act are hereby repealed or modified accordingly.
31

32
33 **SEC 47 *Effectivity.*** This Act shall take effect fifteen (15) days
34 following the date of its publication in the Official Gazette or in at least two
35 (2) newspapers of general circulation, whichever comes first.
36

37
38 ***Approved,***