

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

7 SEP 24 2014

SENATE

RECEIVED BY



SENATE BILL NO. 1632

Introduced by Senator FRANCIS N. PANGILINAN

EXPLANATORY NOTE

The phenomenon of globalization continues to reduce the distance between countries, almost unifying their territorial lines. As boundaries are dissolved, interstate traffic steadily increases. Meanwhile, inter-region business and tourism ventures within the country are gaining momentum. Heightened business as well as political activity across borders, both within and without the country, underscores the importance of a basic requirement for, as well as indication of, progress-transportation, more particularly, air transportation. Unfortunately, the state of our civil aviation is less than desirable.

Due to an antiquated legislation and a nearly obsolete institutional structure, Philippine civil aviation lags far behind its foreign counterparts. Far from being competitive, it suffers from technological backwardness and outdated regulatory and organizational structure. Republic Act No. 776, which created the Civil Aeronautics Administration (Air Transportation Office) and the Civil Aeronautics Board, having been passed 52 years ago, no longer covers many important aspects of civil aviation. Clearly, there is a need to introduce substantial regulatory and institutional changes to propel the industry to modernization. As civil aviation is a dynamic and primarily service-oriented industry that has a catalytic effect to the economy, it should be flexible enough to adapt itself and respond to the developing requirements of the country.

In the 32nd International Civil Aviation Organization (ICAO) General Assembly Meeting, a resolution was adopted encouraging each member state to establish a single unified body or an autonomous civil aviation authority to deal with matters of civil aviation. In this way, bureaucracy problems and difficulty in meeting ICAO standards and recommended practices may be avoided. To implement said resolution, this bill creates the Civil Aviation Authority of the Philippines (CAAP), a government corporation attached to the Department of Transportation and Communications. It shall absorb the functions of the Air Transportation Office and the Civil Aeronautics Board and merge the technical and economic functions in a single entity.

The CAAP shall exercise overall jurisdiction over civil aviation, including supervision, control, and regulation on matters relating to safety and security of aircraft, airport facilities and installations, whether government or privately owned, including the Ninoy Aquino International Airport, Diosdado Macapagal International Airport (DMIA), Subic Bay International Airport (SBIA), and other airport/s which may be created in the future.

The CAAP shall be vested with corporate powers and shall be financially self-sufficient, with an authorized capital of Seventy-Five Billion Pesos (P75,000,000,000.00) fully subscribed by the Republic of the Philippines. It shall adopt an annual budget and shall endeavor to refrain from relying on the National Treasury for its budget. In order to build highly competent personnel, the CAAP shall have the power to determine and fix the compensation and fringe benefits of its employees holding highly technical positions.

Given the dual nature of CAAP, its creation would reap the benefits of an autonomous corporate authority while regulating an important industry. As it relieves the national government of the burden of heavy capital investment, it advances the country's civil aviation which would ultimately result in economic progress.

In view of the paramount interests advanced herein, passage of this bill is earnestly requested.

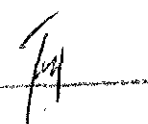
A handwritten signature in black ink, appearing to be 'Francis N. Pangilinan', written over a horizontal line. The signature is stylized and somewhat abstract.

FRANCIS N. PANGILINAN

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**AN ACT
CREATING THE CIVIL AVIATION AUTHORITY OF THE PHILIPPINES,
AUTHORIZING THE APPROPRIATION OF FUNDS THEREFOR, AND
FOR OTHER PURPOSES**

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

ARTICLE I

GENERAL PROVISION

1 SECTION 1. *Title.* - This Act shall be known as the "**Civil Aviation Authority**
2 **Act of 2007**".

3 SEC. 2. *Declaration of Policy* - It is hereby declared the policy of the
4 Government to provide safe and efficient air transport and regulatory services in the
5 Philippines by providing for the creation of the unified civil aviation authority, with sole
6 jurisdiction over the restructuring of aviation regulatory regime, the promotion,
7 development and regulation of the technical, economic, and aviation security functions,
8 and the unification of the oversight functions of government under one agency.

ARTICLE II

THE CIVIL AVIATION AUTHORITY

11 SEC. 3. *Creation of the Authority.* - There is hereby created a corporate body to
12 be known as the Civil Aviation Authority of the Philippines (CAAP), hereinafter referred
13 to as the "Authority," attached to the Department of Transportation and Communications
14 for the purpose of policy coordination. It shall be composed of a Board of Directors to
15 be known as the CAAP Board.

1 SEC. 4. *Powers of Authority.* - In addition to the powers provided under
2 Republic Act No. 776, as amended, the Authority shall have the following powers and
3 functions:

4 (a) To provide safe and efficient air transport and regulatory services in the
5 Philippines;

6 (b) To promulgate rules and regulations governing the technical, economic,
7 and security aspects of civil aviation, as the authority may find necessary
8 and proper, for the safety, benefit, and interest of the public, consistent
9 with the purposes of this Act;

10 (c) To exercise supervision, control, and regulation over civil aviation,
11 including but not limited to the air transportation of passengers, cargo,
12 mail, air services, aviation companies, and persons, firms, corporations
13 engaged in providing air transportation services, and related services;

14 (d) To provide civil airways, navigation facilities and equipment, throughout
15 the Philippines for the purpose of carrying out oversight functions,
16 consistent with the Standards and Recommended Practices (SARPs)
17 adopted by the International Civil Aviation Organization (ICAO) and
18 contained in eighteen (18) Annexes to the ICAO Convention of 1994;

19 (e) To exercise overall jurisdiction over governmental functions of civil
20 aviation, including supervision, control and regulation of matters relating to
21 safety and security of aircraft, airport facilities and installations, whether
22 government or privately owned, as well as the supervision and regulation
23 of safety and security in the Ninoy Aquino International Airport (NAIA),
24 Mactan-Cebu International Airport (MCIA), Diosdado Macapagal
25 International Airport (DMIA), Subic Bay International Airport (SBIA), and
26 other airport/s which may be created in the future;

27 (f) To provide for tariffs, fares, rates, charges, and fees, as it may deem
28 necessary for air services, air traffics, navigational and other services, and

1 prescribe the manner of payment and collection, subject to ^{the} provisions
2 of this Act, notwithstanding any laws to the contrary;

3 (g) To exercise police powers and other law enforcement powers over areas
4 under its jurisdiction and for this purpose, to coordinate with the Philippine
5 National Police and other law enforcement agencies; and

6 (h) To adopt and promulgate such other rules and regulations to implement
7 the provisions of this Act.

8 SEC. 5. *Corporate Powers.* – To carry out its purposes under this Act, the
9 Authority shall have the following corporate powers:

10 (a) To succeed in its corporate name, to sue and be sued in such corporate
11 name, and to adopt, use all alter its corporate seal, which shall be
12 judicially noticed;

13 (b) To adopt, amend or repeal its By-Laws;

14 (c) To enter into, make, perform, and carry out contracts of every class, kind
15 and description, which are necessary or incidental to the realization of its
16 purposes, with any person, domestic or foreign private firm, or
17 corporation, local or national government office, agency, and with
18 international institutions, or foreign government;

19 (d) To raise money, contract loans, indebtedness, credit and issue
20 commercial papers and bonds, in any local or convertible foreign currency
21 from any other international financial institutions under terms and
22 conditions prescribed by law, rules, and regulations;

23 (e) To execute any deed or guarantee, mortgage, pledge, trust or assignment
24 of any property for the purpose of financing the programs and projects
25 deemed vital for the attainment of its goals and objectives;

26 (f) To construct, acquire, own, hold, operate, maintain, administer, and lease
27 personal and real properties, including buildings, machinery, equipment,
28 other infrastructure, agriculture lands, and its improvements, property
29 right, and interest therein, and to encumber, mortgage, dispose, sell, or

1 alienate or otherwise dispose the same at the fair market value it may
2 deem appropriate; to lease its plant, machinery, equipment or goods not
3 immediately required by it;

4 (g) To receive gifts, donations, grants, bequests, services, properties,
5 whether personal or real, and assistance of all kinds, from private and
6 public sources, firms, institutions, domestic and foreign governments, and
7 international institutions, and utilize the same;

8 (h) To invest its funds and other assets in such areas, ventures, and projects
9 as it may deem wise;

10 (i) To settle under such terms and conditions most advantageous to it, any
11 claim by or against it;

12 (j) To determine and keep its own system of accounts following generally
13 accepted principles of accounting, as well as the forms and contents of its
14 contracts and other business documents;

15 (k) To enter into contracts for the sale or lease of pieces of equipment,
16 facilities, installations, and aerodromes owned by the former ATO;

17 (l) To perform such other acts, and to do all things as may be necessary,
18 proper, or convenient in connection with the performance of its functions,
19 to carry out the purposes of this Act; and

20 (m) To exercise such other powers provided for by the Corporation not
21 otherwise provided herein.

22 SEC. 6. *Subsidiaries.* – The Authority shall have the power to form, establish,
23 organize, incorporate and maintain corporation or corporations. Such subsidiary or
24 subsidiaries shall be formed in accordance with the Corporation Code of the Philippines
25 and the existing rules promulgated by the Securities and Exchange Commission, unless
26 otherwise provided in this Act.

27 **ARTICLE III**

28 **BOARD OF DIRECTORS**

1 SEC. 7. *Board of Directors.* – The powers and functions of the Authority shall be
2 vested in and exercised by, a Board of Directors:

- 3 (a) Provide comprehensive policy guidance for the promotion and
4 development of the aviation industry as provided in this Act;
- 5 (b) Formulate the objectives, strategies, and policies to be followed by the
6 Authority;
- 7 (c) Ensure that the Authority performs its functions in a proper, efficient, and
8 effective manner;
- 9 (d) Determine the organizational structure of the Authority, establish a human
10 resources management system based on merit and fitness, and adopt a
11 rational compensation and benefits schemes;
- 12 (e) Approve the annual and supplementary budget for submission to the
13 Congress of the Philippines;
- 14 (f) Approve the annual and supplementary budget plan for utilization of the
15 retained revenue; and
- 16 (g) Submit an annual report to the President of the Philippines.

17 SEC. 8. *Meetings.* – The Board shall meet regularly once a month and may
18 hold special meetings to consider urgent matters upon call of the Chairman or any three
19 (3) members. Internal rules of procedure in the conduct of Board meetings shall be as
20 prescribed by the Board.

21 SEC. 9 *Composition.* - The Board shall be composed of seven (7) members
22 who shall be appointed by the President of the Philippines:

- 23 (a) The Secretary of the Department of Transportation and Communications
24 shall act as Chairman ex-officio;
- 25 (b) The Vice Chairman shall be elected among the members of the Board,
26 provided that the Director General of Civil Aviation (DGCA) who shall
27 automatically be a member of the Board, shall not be elected as Vice-
28 Chairman; and

1 (c) Five Filipino citizens from the private sector or relevant government
2 agencies as members.

3 The appointed members of the Board shall have a term of five (5) years. Of the
4 initial members of the Board, the Vice-chairman and the DGCA shall be appointed for a
5 term of five (5) years; two (2) shall be appointed for a term of four (4) years; and two (2)
6 for a term of three (3) years. In case of vacancy, the appointee shall serve the
7 unexpired term of the predecessor. Members of the Board shall be eligible for
8 reappointment.

9 No person shall be appointed or designated as a member of the Board unless he
10 is a Filipino citizen, of good moral character, unquestionable integrity and recognized
11 competence in the field of aviation, aeronautical engineering, economics, law and
12 internal relations, and management in related fields.

13 Members of the Board shall be reimbursed by the Authority for necessary
14 expenses incurred in the performance of their duties. They shall also be entitled to *per*
15 *diem* the amount of which shall be determined pursuant to a resolution adopted by the
16 Board, which shall be adjusted annually based on the consumer price index as
17 determined by the National Government.

18 No member of the Board shall have financial or pecuniary interest, directly or
19 indirectly, in any business contract or transportation entered into by the Authority or in
20 any privilege granted by it. Neither shall a member have any interest, financial or
21 otherwise, in any undertaking or business with an inherent conflict of interest with the
22 Authority.

23 SEC. 10. *The President.* – The President of the Authority shall be known as the
24 *Director General of Civil Aviation* and must be an airman or must have been an airman,
25 with at least ten (10) years experience in the field of aviation, five (5) years of which
26 shall be in senior management position.

27 The President/DGCA shall be the Chief Executive and Operation Office of the
28 Authority. He shall have the following powers, duties and responsibilities:

- 1 (a) To execute, administer, and implement the objectives, policies and
2 programs approved by the Board; enforce the decisions, orders, rules,
3 and regulations approved or prescribed by the Board;
- 4 (b) To direct and supervise the management, operations and administration
5 of the Authority;
- 6 (c) To represent the authority in all dealings with offices, agencies and
7 instrumentality of the Government, and with all persons, firms and
8 institutions, public and private, domestic and foreign, including the
9 International Civil Aviation Organization, other international agencies and
10 institutions; to act as the primary government representative in all matters
11 relating to international aviation, bilateral, multilateral consultations,
12 conferences, negotiations, and the like;
- 13 (d) To provide for rules and regulations, as may be required, covering (i) air
14 traffic services; (ii) air navigation services including the establishment,
15 administration, registration, inspection, classification, rating, issuance,
16 denial, revocation, cancellation, modification, and investigation of civil
17 airways navigation radio and telecommunication facilities, aerodromes,
18 repair stations, training schools, and other air agencies and installations;
19 (iii) licenses, permits, and certificates; (iv) aircraft accidents; and (v) such
20 other rules, regulations, standards, practices, methods, procedures as the
21 Director General may determine;
- 22 (e) To enforce the rules and regulations and impose fines, penalties and
23 similar sanctions for any violations thereof;
- 24 (f) To ensure the safety, effectiveness and efficiency of air transportations,
25 consistent with national objectives, and existing treaties, connections and
26 agreements;
- 27 (g) To exercise police powers in all areas within the jurisdiction of the
28 Authority, enforce all laws, regulations and rules relating thereto in the

1 exercise of these powers, he shall coordinate closely with the Philippine
2 National Police and other law enforcement agencies of the government;

3 (h) To perform such powers, and duties provided for in this Act, or as may be
4 delegated by the Boards; and

5 (i) To continue to exercise the powers provided for in Republic Act No. 776
6 not inconsistent with this Act.

7 SEC. 11. *Management Officials and Employees; Merit System.* – The Authority
8 shall establish a human resources management system which shall base promotions
9 and appointments on merit and fitness and will promote professionalism at all levels of
10 the Authority in accordance with the sound principles of management.

11 SEC. 12. *Exemption from Rules and Regulations of the Compensation and*
12 *Position Classification Board.* – The Authority shall have the power to determine and fix
13 the compensation and fringe benefits of the employees holding technical positions not
14 common to other agencies of the government. Detailed employment benefits and
15 package shall be specified in the implementing Rules and Regulations. The Authority
16 shall be exempted from coverage of the rules and regulations of the Compensation and
17 Position Classification Board.

18 SEC. 13. *Development of Airports and Other Ancillaries.* – The development and
19 construction of national airports will be under the Department of Transportation and
20 Communications (DOTC) subject to the transfer of its maintenance and management to
21 CAAP when said airports become operational.

22 SEC. 14. *Capitalization.* – The Authority shall have an authorized capital stock
23 of Seventy-Five Billion Pesos (P75,000,000,000.00) and shall be fully subscribed by the
24 Republic of the Philippines.

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

26 (a) The unexpended balances of appropriations in the current General
27 Appropriations Act, Executive Order No. 132 and other acts in force upon
28 approval hereof, pertaining to, held or used by, the Air Transportation
29 Office;

- 1 (b) The values of the existing assets of the Civil Aeronautics Administration,
2 the Bureau of Air Transportation, and its present successor, the Air
3 Transportation Office (ATO), and the various aeronautical facilities
4 throughout the country owned by the aforementioned offices or agencies,
5 which shall be determined by an independent and qualified appraiser or
6 appraisers within a year from the effectivity of this Act;
- 7 (c) Any surplus income accruing to the Authority upon its organization into a
8 corporate body and its assumption of the assets and liabilities of the Air
9 Transportation Office (ATO); and
- 10 (d) Such amount as may be appropriated from time to time from the funds of
11 the National Treasury, including any outlay from the infrastructure program
12 of the National Government. The initial operating capital for the Authority
13 in the amount of One Billion Nine Hundred Million Pesos
14 (P1,900,000,000.00) is hereby authorized to be appropriated out of the
15 National Treasury which shall be covered by preferred shares of the
16 Authority retireable within five (5) years.

17 SEC. 15. *Sources of Funds.* - The following shall constitute the sources of
18 funds against which the operating expenses of the Authority may be drawn:

- 19 (a) All revenues from the aeronautical and allied services operated or
20 rendered by the Authority, including remittances from foreign counterpart
21 aeronautics administrations and authorities;
- 22 (b) Proceeds from sales of bonds, grants, donation, disposal of assets and
23 sales of disposable assets, loans and other forms of indebtedness entered
24 into by the Authority;
- 25 (c) Interests which may be earned on investments or on idle cash of the
26 Authority; and
- 27 (d) Drawings upon the capital or surplus of the Authority.

28 SEC. 16. *Retention of Moneys Collected and Dispositions Thereof.* - Money
29 collected by the Authority under the provisions of this Act shall be retained by the

1 Authority, which shall be disbursed as the Authority may deem necessary and
2 appropriate, to carry out the objectives and policies of this Act.

3 SEC. 17. *Management of Funds.* - The Authority may invest any of its funds not
4 immediately required for operating expenses, or other immediate obligations in any
5 business venture that it may deem appropriate, or in such secure note, government
6 securities, and other negotiable instruments that satisfy the guidelines prescribed by the
7 Board.

8 Funds of the Authority shall be deposited in such commercial and universal
9 banks as the Authority may determine, subject to the requirements of existing laws.
10 The Board shall designate the officials authorized to deposit in or withdraw funds from
11 such depository banks.

12 SEC. 18. *Obligations.* - Upon approval of the President with the prior
13 concurrence of the Monetary Board, the Authority shall be authorized to secure or
14 contract domestic or foreign loans, credits and other indebtedness, and to issue bonds,
15 notes, debentures, securities and other instruments of indebtedness, as it may deem
16 necessary to carry out the purposes of this Act, Provided that:

17 (a) The outstanding liabilities and obligations, foreign and domestic, shall not
18 exceed, at any time, fifty percent (50%) of its net worth;

19 (b) The annual amortization on principal and interest shall not be more than
20 twenty percent (20%) of the prior year's gross revenues;

21 (c) Where appropriate, obligations incurred from private sources of capital
22 may be secured by suitable assets or backed by priority claims against
23 property of the Authority;

24 (d) Obligations shall be considered the sole liability of the Authority, unless
25 otherwise guaranteed by the Republic of the Philippines upon approval of
26 the President with the prior concurrence of the Monetary Board; and

27 (e) Issuance of bonds or long term notes shall be with prior approval of or in
28 accordance with the rules issued by the National Treasurer.

1 *SEC. 19. Annual Budget.* - The Authority shall adopt an annual budget. Unless
2 the Authority shall require subsidy and/or guarantee of its liability from the National
3 Treasury, its budget for the year need not to be submitted to Congress for approval and
4 inclusion in the General Appropriations Act. Supplementary estimates may be prepared
5 or adopted in any of the Board meetings called for that purpose.

6 *SEC. 20. Exemption from Taxes, Customs and Tariff Duties.* – The importation
7 of equipment, machineries, spare parts, accessories, and other materials, including
8 supplies and services used in the operations of the Authority, not obtainable locally,
9 shall be exempt from all direct and indirect taxes, wharfage fees and other charges and
10 restrictions, the existence of pertinent laws to the contrary notwithstanding.

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

14 *The Authority is also exempt from the payment of capital gains tax, local*
15 *government imposts and fees upon the effectivity of this Act.*

16 *SEC. 21. The Authority of Officers to Administer Oaths.* – The Director General
17 and such other duly designated officers of the Authority shall have the authority to
18 administer oaths in the transaction and performance of official business.

19 *SEC. 22. Statutory Lien on Aircraft, Equipment, Machinery.* - The Authority shall
20 have the power to impose lien on any aircraft, equipment, and machinery:

21 (a) If the charges and other fees are not paid in full on due date for payment,
22 or any part of the charges or the late payment penalty thereto remains unpaid; and

23 (b) For serious and gross violation of the rules and regulations promulgated
24 by the Authority in connection with its oversight functions, involving safety
25 of navigation, within the various territories of the Authority, such as,
26 aerodrome zones, the airspace above said zones, including the landing
27 approaches and departures therefrom, and relevant navigation
28 requirement.

1 Aircraft levied upon pursuant to this Section shall be in the custody of the
2 Authority, and its clearance shall be withheld until the fines imposed are fully paid.
3 Such aircraft may be sold after notice to the owners and the proceeds of the sale shall
4 be applied to the payment of the fines and penalties and other obligations that are due
5 and payable.

6 SEC. 23. *Lien on Real, Personal Properties.* - The Authority shall have the
7 power to impose lien on personal and real properties, and other assets of persons,
8 corporations, partnerships, and such other entities that shall be in default, or fail to
9 perform their obligations, or fail to pay the fines and other penalties imposed for
10 violations of the law, rules and regulations of the Authority.

11 Properties, moneys, and assets levied upon may be sold and the proceeds
12 thereof applied to the satisfaction of the obligation after due notice and hearing.

13 SEC. 24. *General Penalty.* - Any violation of the provisions of this Act, or any
14 order, rule or regulation issued thereunder, or any term, condition or limitation of any
15 certificate or permit issued under this Act for which no penalty is expressly provided
16 shall be subject to fine as determined in the Implementing Rules and Regulations of this
17 Act.

18 SEC. 25. *Power to Regulate Height of Buildings and Installations that may*
19 *endanger the safety of Flights.* - The Authority shall have the power to regulate the
20 height of the buildings, towers, antennae, and other edifices, situated within the vicinity
21 of, or in close proximity to, airports which shall endanger flights of aircraft. It shall also
22 have the power to prohibit or regulate the establishment and operations of electrical,
23 electronics, sound, magnetic, laser, or other gadget of installations which shall interfere
24 with or impair air navigation and may cause mishaps in the operations of aircraft.

25 SEC. 26. *Building Permits Subject to Prior Approval of Authority.* - No building
26 permit or other license or authority of any kind or nature shall be granted by local
27 authorities with respect to buildings and installations covered by the preceding section,
28 or for any other activity that may endanger the safety or navigation or flight, without the
29 prior approval of the Authority. Should any conflict arise between the Authority and the

1 local government units concerned on matters affecting the safety of navigation as cited
2 above, or other matters within the jurisdiction of the Authority, the decision of the
3 Authority shall prevail.

4 For this purpose, the Authority may call upon any law enforcement agency, other
5 instrumentality of the government, or local government, to enforce rules and regulations,
6 which may include removal of the obstructions to the safety of flight, including the
7 seizure of personal properties that may directly or indirectly cause danger to the safety
8 of navigation or flight.

9 *SEC. 27. Role of Departments, Bureaus, Offices and Other Agencies and*
10 *Instrumentalities of the Government.* - All Heads of the Departments, Bureaus, Offices,
11 Agencies, and Instrumentalities of the Government are hereby directed to give full
12 support to the institutionalization and restructuring program of civil aviation, and to
13 cooperate and coordinate with the Authority to facilitate and expedite the transition.

14 *SEC. 28. Relationship with Local Governments.* - Existing laws, rules and
15 regulations to the contrary, notwithstanding, the Authority shall, in coordination with the
16 local government units, exercise administrative and regulatory powers over any land,
17 building, installation and appurtenances thereto, including constructions of any building,
18 road, tower, within the territorial areas, the airspace above the zones, including the
19 navigable airspaces.

20 *SEC. 29. Police Authority.* - The Authority shall have the power to exercise such
21 police authority within its premises or area of operations as may be necessary to carry
22 out its functions and attain its purposes and objectives *provided*, that the Authority may
23 request the assistance and deputation of any law enforcement agency. Such police
24 authority shall be exercised in providing public safety; maintaining peace and order;
25 ensuring the security of passengers, crew, cargo and aircraft, buildings, installations,
26 equipment and machinery; regulating and controlling entry into, and exit from, and
27 movement within controlled areas; supervising private security guards, and enforcing
28 rules and regulations of the Authority.

1 SEC. 30. *Abolition of the Air Transportation Office and Civil Aeronautics Board.*

2 – The Air Transportation Office (ATO) and the Civil Aeronautics Board (CAB) under the
3 Department of Transportation and Communications are hereby abolished.

4 All powers, duties, and rights vested by the law and exercised by the Air
5 Transportation Office (ATO) and the Civil Aeronautics Board (CAB) are hereby
6 transferred to the Authority.

7 All assets, real and personal properties, funds and revenues owned by or vested
8 in the different offices of the ATO, CAB and of the aforementioned agencies, are
9 transferred to the Authority. All contracts, records and documents relating to the
10 operations of the abolished agencies and their offices and branches are likewise
11 transferred to the Authority.

12 SEC. 31. *Transfer of Personnel of Air Transportation Office and the Civil*

13 *Aeronautics Board.* - To ensure smooth transition into a corporate structure, the
14 incumbent Assistant Secretary of the Air Transportation Office shall continue to hold
15 office and assume the powers of the Director-General until his successor shall have
16 been appointed and inducted into office in accordance with this Act. Officials and
17 employees of the ATO and CAB shall be absorbed into the Authority on the basis of
18 merit and fitness; *Provided*, that officials and employees who shall be laid-off during the
19 first two years of the effectivity of this Act and as a result of this reorganization, shall be
20 entitled to gratuity at the rate equivalent to two (2) months salary for every year of
21 continuous and satisfactory service rendered of the equivalent nearest fraction thereof
22 favorable to them on the basis of the highest salary received, in addition to the
23 retirement benefits or pension under existing law.

24 Such officers and employees who may later be reinstated in the Authority, or
25 who shall be rehired in any government office or instrumentality, shall refund the
26 unearned portion of gratuity received from the Authority before he shall be reinstated or
27 rehired.

28 SEC. 32. *Organization of the Authority.* – Within sixty (60) days from effectivity
29 of this Act, the Board of Directors of the Authority, or if none has been appointed, the

1 incumbent Director-General or Assistant Secretary of ATO, as the case may be, shall
2 organize the Authority.

3 SEC. 33. *Appropriations.* – The amount of Seven Billion Five Hundred Million
4 Pesos (P750,000,000,000.00) is hereby appropriated for the purpose of funding the
5 gratuity to be distributed under Section 31 hereof.

6 SEC. 34. *Saving Clause.* - All orders, determinations, rules, regulations,
7 permits, certificates, licenses and privileges which have been issued, made, granted, or
8 allowed to become effective by the ATO, its predecessors, and by the CAB shall
9 continue to be in effect according to their terms until modified, amended, revoked,
10 cancelled, superseded, or set aside.

11 SEC. 35. *Injunction and Restraining Order.* - The implementation of the projects
12 for the institutionalization and restructuring of the aviation industry shall not be
13 restrained or enjoined except by an order issued by the Supreme Court of the
14 Philippines.

15 SEC. 36. *Legal Counsel.* - Without prejudice to the appointment of Corporate
16 Counsel by the Board, the Government Corporate Counsel shall be the *ex-officio*
17 counsel of the Authority.

18 SEC. 37. *Auditor.* - The Commission on Audit shall appoint a representative
19 who shall be the full-time auditor of the Authority, and such personnel as may be
20 necessary to assist said representative in the performance of his duties.

21 SEC. 38. *Implementing Rules and Regulations.* - The Authority shall adopt
22 rules and regulations to implement the provisions of this Act within sixty (60) days from
23 its approval.

24 SEC. 39. *Separability Clause.* - If for any reason, any section or provision of this
25 Act shall be declared unconstitutional or invalid, the other sections or provisions hereof
26 which are not affected thereby, shall continue in full force and effect.

27 SEC. 40. *Repealing Clause.* - All acts, decrees, orders, executive orders,
28 instructions, rules and regulations or parts thereof inconsistent with the provisions of this
29 Act are repealed or modified accordingly.

1 SEC. 41. *Effectivity.* - This Act shall take effect thirty (30) days after its approval
2 and publication in the Official gazette and in a newspaper of general circulation.

3 Approved,