



HOUSE OF REPRESENTATIVES

H. No. 3788

BY REPRESENTATIVES MADRONA, BIRON, LOCSIN, CHIONGBIAN, REYES (V.),
PABLO, CAJES, MARAÑON, SILVERIO, GONZALEZ, SYJUCO, GARCIA
(V.), GULLAS, ORTEGA, GARCIA (A.) AND GARIN, PER COMMITTEE
REPORT NO. 385

AN ACT GRANTING SOUTHEAST ASIAN AIRLINES (SEAir), INC. A
FRANCHISE TO ESTABLISH, OPERATE AND MAINTAIN
DOMESTIC AND INTERNATIONAL AIR TRANSPORT
SERVICES, WITH CLARKFIELD, PAMPANGA AS ITS BASE

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

1 SECTION 1. *Nature and Scope of Franchise.* – Subject to the
2 provisions of the *Constitution and applicable laws, rules and regulations*, there
3 is hereby granted to Southeast Asian Airlines (SEAir), Inc., hereunder referred
4 to as the grantee, its successors or assigns, a franchise to establish, operate and
5 maintain transport services for the carriage of passengers, mail, goods and
6 property by air, both domestic and international.

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

1 The grantee shall have the right at its terminal and landing fields, as well
2 as in its aircraft, to construct, operate and maintain stations or transmitting sets
3 for wireless telegraphy and direction findings, and other radio aids to air
4 navigation, using wavelengths in accordance with the rules and regulations
5 made from time to time by the proper agencies of the government. The
6 wireless communication facilities shall be used solely for receiving and
7 transmitting weather forecasts and other matters in connection with the
8 grantee's services.

9 SEC. 2. *Civil Aeronautics Board (CAB)*. – The grantee shall secure
10 from the CAB the appropriate permits and licenses for its operations.

11 All aircraft used by the grantee including their accessories and
12 equipment shall at all times be air worthy and the crew members shall be
13 licensed by the Government of the Philippines. They shall be equipped with
14 radio communications, safety and other equipment and shall be operated and
15 maintained in accordance with the regulations and technical requirements of
16 the Civil Aviation Authority of the Philippines or such other regulatory bodies
17 the government may prescribe for this purpose.

18 The grantee's equipment and the operation of such equipment shall at
19 all times be subject to inspection and regulation by the Civil Aviation
20 Authority of the Philippines.

21 The grantee shall comply with the provisions of Republic Act
22 Numbered Seven hundred and seventy-six (R.A. No. 776), otherwise known as
23 the "Civil Aeronautics Act of the Philippines", and the regulation promulgated
24 thereunder from time to time.

25 SEC. 3. *Responsibility to the Public*. – Excepting cases of *force*
26 *majeure* and whenever weather conditions permit, the grantee shall maintain
27 scheduled and/or non-scheduled and/or chartered air transport services to any
28 and all points and places throughout the Philippines and between the

1 Philippines and other countries at such frequencies as traffic needs may
2 require: *Provided, however,* That at least twenty-five percent (25%) of all its
3 frequencies shall be for domestic market.

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

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

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

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

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

17 SEC 6 *Acceptance and Compliance.* – Acceptance of this franchise
18 shall be given in writing within sixty (60) days after the effectivity of this Act.
19 Upon giving such acceptance, the grantee shall exercise the privileges granted
20 under this Act. Nonacceptance shall render the franchise void.

21 SEC. 7. *Bond.* – The grantee shall file a bond issued in favor of the
22 CAB, which shall determine the amount, to guarantee the compliance with and
23 fulfillment of the conditions under which this franchise is granted. If, after
24 three (3) years from the date of the approval of its permit by the Board, the
25 grantee shall have fulfilled the same, the bond shall be cancelled by the Board.
26 Otherwise, the bond shall be forfeited in favor of the government and the
27 franchise *ipso facto* revoked.

1 SEC. 8. *Landing Facilities.* -- The grantee may use the landing and
2 other airport facilities on land and water as may be maintained or owned by the
3 government within the Philippines on the grantee's line subject to such terms
4 and conditions, restrictions and national policy considerations as the Philippine
5 Government may impose: *Provided, That the Philippine Government shall*
6 *have the right to use the landing and other airport facilities as may be*
7 *maintained and owned by the grantee in the Philippines.*

8 SEC. 9. *Contracts.* -- The grantee is authorized to enter into
9 transportation contracts with the Philippine Government, including the carrying
10 of mail, upon such terms and conditions as may be mutually agreed upon. The
11 grantee shall give preferential consideration to contracts with the Philippine
12 Government. The grantee may likewise enter into transportation maintenance
13 and/or servicing contracts, and such other contracts relating to air transport
14 with other foreign-owned airlines particularly with those which have
15 international routes.

16 SEC. 10. *Right of Government.* -- A special right is hereby reserved to
17 the President of the Philippines, in times of war, rebellion, public peril,
18 calamity, emergency, disaster or disturbance of peace and order, to temporarily
19 take over and operate the facilities or equipment of the grantee, to temporarily
20 suspend the operation of any facility or equipment in the interest of the public
21 safety, security and public welfare, or to authorize the temporary use and
22 operation thereof by any agency of the government, upon due compensation to
23 the grantee, for the use of said facilities or equipment during the period when
24 they shall be so operated.

25 SEC. 11. *Warranty in Favor of the National and Local Governments.* --
26 The grantee shall hold the national, provincial, city and municipal governments
27 of the Philippines harmless from all claims, accounts, demands or actions

1 arising out of accidents or injuries, whether to property or to persons, caused
2 by the operation of the services under the franchise hereby granted.

3 SEC. 12. *Nontransferability of Franchise.* – The grantee shall not
4 lease, transfer, grant the usufruct of, sell nor assign this franchise or the rights
5 and privileges acquired thereunder to any person, firm, company, corporation
6 or other commercial or legal entity, nor merge with any other corporation or
7 entity, nor shall the controlling interest of the grantee be transferred, whether
8 as a whole or in parts and whether simultaneously or contemporaneously, to
9 any such person, firm, company, corporation or entity without the prior
10 approval of the Congress of the Philippines. Any person or entity to which this
11 franchise is sold, transferred or assigned, shall be subject to the same
12 conditions, terms, restrictions and limitations of this Act.

13 SEC. 13. *Dispersal of Ownership* – In accordance with the
14 constitutional provision to encourage public participation in public utilities, the
15 grantee shall offer at least thirty percent (30%) of its outstanding capital stock
16 or a higher percentage that may hereafter be provided by law in any securities
17 exchange in the Philippines within five (5) years from the commencement of
18 its operations. Noncompliance therewith shall render the franchise *ipso facto*
19 revoked.

20 SEC. 14. *Reportorial Requirement.* – The grantee shall submit an
21 annual report to the Congress of the Philippines on its compliance with the
22 terms and conditions of the franchise and on its operations within sixty (60)
23 days from the end of every year.

24 SEC. 15. *Equality Clause.* – In the event that any competing individual,
25 partnership or corporation receives or enjoys or shall receive similar permit or
26 franchise with terms, provisions and/or privileges more favorable than those
27 herein granted or which tend to place the herein grantee at any disadvantage,

1 then such terms and/or provisions shall be deemed part hereof and shall
2 operate equally in favor of the herein grantee.

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

6 SEC. 17. *Repealability and Nonexclusivity Clause.* – This franchise
7 shall be subject to amendment, alteration or repeal by the Congress of the
8 Philippines when the public interest so requires and shall not be interpreted as
9 an exclusive grant of the privileges herein provided for.

10 SEC. 18. *Effectivity Clause.* – This Act shall take effect fifteen (15) days
11 from the date of its publication, upon the initiative of the grantee, in at least
12 two (2) newspapers of general circulation in the Philippines.

Approved,

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