

H. No. 10442

Republic of the Philippines
Congress of the Philippines
Metro Manila
Eighteenth Congress
Third Regular Session

Begun and held in Metro Manila, on Monday, the twenty-sixth day of July, two thousand twenty-one.

[REPUBLIC ACT NO. **11682**]

AN ACT RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO AIR PHILIPPINES CORPORATION, DOING BUSINESS UNDER NAME AND STYLE OF AIRPHIL EXPRESS, PAL EXPRESS, AND PHILIPPINE AIRLINES, UNDER REPUBLIC ACT NO. 8339, AS AMENDED BY REPUBLIC ACT NO. 9215, ENTITLED "AN ACT GRANTING AIR PHILIPPINES CORPORATION (AIR PHILIPPINES) A FRANCHISE TO ESTABLISH, OPERATE AND MAINTAIN DOMESTIC AND INTERNATIONAL AIR TRANSPORT SERVICES"

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

SECTION 1. *Nature and Scope of Franchise.* – Subject to the provisions of the Constitution and applicable laws, rules and regulations, the franchise granted to AIR PHILIPPINES CORPORATION, doing business under name and style of

AIRPHIL EXPRESS, PAL EXPRESS, and PHILIPPINE AIRLINES, hereunder referred to as the Grantee, its successors or assignees, under Republic Act No. 8339, as amended by Republic Act No. 9215, to establish, operate and maintain transport services for the carriage of passengers, mails, goods, and property by air, both domestic and international, is hereby renewed for another twenty-five (25) years.

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

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

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

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

The Grantee's equipment and the operation of such equipment shall at all times be subject to inspection and regulation by the CAAP. The Grantee shall comply with the provisions of Republic Act No. 776, otherwise known as "The Civil Aeronautics

Act of the Philippines", and the regulations promulgated thereunder from time to time.

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

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

SEC. 5. Term of Franchise. – This franchise shall be in effect for a period of twenty-five (25) years from the effectivity of this Act, unless sooner revoked or cancelled. This franchise shall be deemed *ipso facto* revoked in the event the Grantee fails to operate continuously for two (2) years.

SEC. 6. Landing Facilities. – The Grantee may use the landing and other airport facilities on land and water as may be maintained or owned by the government within the Philippines on the Grantee's line subject to national policy considerations and such terms and conditions or restrictions as the Government of the Philippines may impose: *Provided*, That the Government of the Philippines shall have the right to use the landing and other airport facilities as may be maintained or owned by the Grantee in the Philippines.

SEC. 7. Contracts. – The Grantee is authorized to enter into transportation contracts with the Philippine government, including the carrying of mail, upon such terms and conditions as may be mutually agreed upon. The Grantee shall give preferential consideration to contracts with the Government of the Philippines. The Grantee may likewise enter into transportation maintenance or servicing contracts, and such other contracts relating to air transport with other foreign-owned airlines particularly with those which have international routes.

SEC. 8. *Right of the Government.* – A special right is hereby reserved to the President of the Philippines, in times of war, rebellion, public peril, calamity, emergency, disaster or disturbance of peace and order: to temporarily take over and operate the facilities or equipment of the Grantee; to temporarily suspend the operation of any facility or equipment in the interest of public safety, security and public welfare; or to authorize the temporary use and operation thereof by any agency of the government, upon due compensation to the Grantee, for the use of said facilities or equipment during the period when these shall be so operated.

SEC. 9. *Warranty in Favor of the National and Local Governments.* – The Grantee shall hold the national, provincial, city, and municipal governments of the Philippines free from all claims, liabilities, demands, or actions arising out of accidents causing injury to persons or damage to property during the operation of the services under the franchise.

SEC. 10. *Commitment to Provide and Promote the Creation of Employment Opportunities.* – The Grantee shall create employment opportunities and accept on-the-job trainees in its franchise operations: *Provided*, That priority shall be accorded to the residents of the place where the principal office of the Grantee is located: *Provided, further*, That the Grantee shall comply with the applicable labor standards and allowance entitlement under existing labor laws, rules and regulations and similar issuances.

The employment opportunities or jobs created shall be reflected in the General Information Sheet (GIS) to be submitted to the Securities and Exchange Commission (SEC) annually.

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

or entity without the prior approval of Congress. The Grantee shall inform Congress, through the Office of the Speaker of the House of Representatives and Office of the Senate President, of any sale, lease, transfer, grant of usufruct, or assignment of franchise or the rights and privileges acquired thereunder, or of the merger or transfer of the controlling interest of the Grantee, within sixty (60) days after the completion of the said transaction. Failure to report to Congress such change of ownership shall render the franchise *ipso facto* revoked. Any person or entity to which this franchise is sold, transferred, or assigned shall be subject to the same conditions, terms, restrictions, and limitations of this Act.

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

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

The annual report shall include an update on the commencement of activities, development, operation, and expansion of business; audited financial statements; latest GIS officially submitted to the SEC, if applicable; certification of the CAB and CAAP on the status of its permits and operations; and an update on the dispersal of ownership undertaking, if applicable.

The reportorial compliance certificate issued by Congress shall be required before any application for permit or certificate is accepted by the CAB and CAAP.

SEC. 14. *Fine.* – Failure of the Grantee to submit the requisite annual report to Congress shall be penalized by a fine of Five hundred pesos (P500.00) per working day of noncompliance. The fine shall be collected separately from the reportorial penalties imposed by the CAB, and it shall be remitted to the Bureau of the Treasury.

SEC. 15. *Equality Clause.* – In the event that any competing individual, partnership or corporation receives or enjoys or shall receive similar permit or franchise with terms, provisions, or privileges more favorable than those herein granted or which tend to place the herein Grantee at any disadvantage, then such terms or provisions shall be deemed part hereof and shall operate equally in favor of the herein Grantee.

SEC. 16. *Repealability and Nonexclusivity Clause.* – This franchise shall be subject to amendment, alteration, or repeal by Congress when the public interest so requires and shall not be interpreted as an exclusive grant of the privileges herein provided for.

SEC. 17. *Separability Clause.* – If any of the sections or provisions of this Act is held invalid, all other provisions not affected thereby shall remain valid.

SEC. 18. *Repealing Clause.* – All laws, decrees, orders, resolutions, instructions, rules and regulations, and other issuances or parts thereof which are inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SEC. 19. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,

VICENTE C. SOTTO III
President of the Senate

LORD ALLAN JAY Q. VELASCO
Speaker of the House of Representatives

This Act which originated in the House of Representatives was passed by the House of Representatives and the Senate of the Philippines on November 22, 2021 and December 16, 2021, respectively.

MYRA MARIE D. VILLARICA
Secretary of the Senate

MARK LLANDRO L. MENDOZA
Secretary General House of Representatives

Approved:

APR 11 2022

Lapsed into law on
without the signature of the President, in accordance with Article Section 27 (1) of the Constitution.

RODRIGO ROA DUTERTE
President of the Philippines

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