

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

13th Congress
First Regular Session

HOUSE BILL NO. 781



Introduced by Representative Harlin Cast. Abayon

EXPLANATORY NOTE

Our government places the highest priority on poverty alleviation, particularly in the countryside. Rural development is the necessary strategy to do so and maximum private sector participation is ideal to achieve it. The establishment of a private rural airport infrastructure will encourage economic activity in the hinterlands, by serving not only as transportation hubs but also as industrial, commercial and service centers which will provide countryside employment to uplift the rural standards of living.

Speedy access between urban and rural areas may be provided only by the construction and maintenance of a rural air transport network complemented by the rehabilitation and maintenance of former or existing airports in the remote areas of our archipelago. Economic development, particularly in the countryside mandates a rural airport network as an essential part of the country's overall transport infrastructure. National airports in the main urban areas, such as: Manila, Cebu (Mactan), Davao, Zamboanga, Iloilo and Bacolod are equipped with adequate guidance, communications, security and safety systems. However, most of the so-called missionary routes inadequately equipped, and **ALL THE RURAL ROUTES**, i.e. those even more remote than the missionary routes, **HAVE NO SUPPORT WHATSOEVER**. The rural routes are the most difficult to access not only due to their remoteness, but also due to no government presence at all.

Many of them are scattered throughout the many islands of our archipelago.

The development of rural airports will permit speedy access and reasonable costs to promote and enhance the following activities for our rural areas:

- a. The transport of personnel and cargo.
- b. The increase in commercial activity through the speedy delivery of products and services.

- c. Improvement of domestic and international tourism.
- d. Immediate availability of emergency, rescue, disaster relief services.
- e. Improvement of communications, mail, money transfers and packages to and from the rural areas.
- f. Prompt delivery of government services.
- g. Assistance to the Armed Forces of the Philippines in matters of national security.
- h. Speedier police responses to problems of banditry and other peace and order matters.
- i. Extension of agricultural and environmental services, such as: enhanced crop productivity through aerial application, rainmaking and drought alleviation through aerial seedlings and reforestation and pest control through air broadcast technologies.
- j. Enhanced surveillance of our natural resources including forestry, coral reefs and animal and marine life.

The development of the rural airport infrastructures network should be achieved by identifying, constructing, repairing, maintaining, modernizing, and activating these airports on a purely private basis by evolving them into economic centers that will more readily provide the above cited services.

The Air Transport Office currently supervises 68 airports. Many of them are ill-equipped, expensive to maintain in relation to the low traffic, and are obviously a drain on the national budget. Yet, so many of our rural areas have no airports at all. If they do, they are not maintained or are inadequately maintained and so difficult to service. To cite:

- a. These rural airports are usually of the "bush" type, they are short, unpaved, grass, dirt or merely flattened airstrips, often unattended; some have obstacles that aircraft landing and take off can be made only one way. Only the lightest of aircraft can handle them.
- b. These airfields have no air safety personnel or equipment available.
- c. There are no reserve pilots or mechanics.
- d. There are no refueling depots.
- e. There are no repair stations and aircraft rescue during breakdown is difficult.
- f. There are no guidance systems, no communication systems, no security systems and no electricity to support aircraft or air terminal operations.
- g. There are only poor or even no access roads, piers or other complementary transport services.
- h. As they are usually located away from towns due to topographical limits, there are no board and lodging or storage facilities nearby to serve passengers and cargo.
- i. There are often no police or even private security agencies to prevent lawlessness and banditry or to reach them.

- j. In many parts of the Visayas and in practically all of Mindanao outside the larger cities, there are serious peace and order problems.

The need to develop and/or operate rural airports is particularly needed in the island of Mindanao where we face serious insurgency and kidnapping problems.

Currently, the scheduled main carriers have access to no more than 30 airports throughout the Philippines, including the major ones cited earlier. There are 230 more airports that are beyond the reach of scheduled flights. Most of them are not even rated (at least currently) by the Air Transport Office. If one were to take the aggregate population size in all cities and towns served by the scheduled carriers, including those within 20 kilometers radius of their regular destinations, one will find that 70% of our entire population that rural airports are meant to serve.

It would be ideal to have each town and city in the Philippines have its own rural airport or at least easy access to such an airport so that the entire population can be within two hours from any major airport or urban area in the Philippines.

But the government Air Transportation Office which is the agency tasked with the development of airports has limited or no funds, not only to supervise the existing airports, but also to establish, operate and maintain other airports particularly those in the rural areas. The government budgetary deficits point to an even bleaker picture for these rural airports and the inability to adequately maintain the existing ones in the face of rising operating and capital expenses.

The inadequate resources of the Air Transportation Office renders it ineffective in providing full support for the Rural Air Transport System. The rural airports are unattended and the intricacies and peculiarities of a rural air transport system are not appreciated. ATO guidelines normally applicable to more sophisticated aircraft and airports as in Manila tend to be applied to the rural airports where conditions are entirely different. Unnecessary sanctions have often been applied to rural air transport operators that obviously hinder rural growth and development. Needless to say, these cause drains on the operators' financial resources that further adversely affect whatever upgrading programs may have been in place. An example of how a rural air transport operator was treated is cited in an annex to this note, authored by a former Secretary of the Department of Transportation and Communications.

In reality, the ATO has limited facilities and/or funds to regulate the rural airports. Due to these limitations, the ATO has not been able to help promote rural development through a well planned program intended to develop the rural airport network.

On the other hand all air transport, particularly of the rural type, have built-in safety mechanisms that for most if not all intents and purposes makes ATO supervision

practically superfluous. This natural built-in safety mechanism is the life and livelihood of personnel devoted to rural air transport, such as the pilots and the mechanics who maintain the aircraft. They will have to see to it that their equipment flies within adequate bounds of safety since their lives, limbs and livelihood depend on them.

In other countries with remote rural areas and large hinterlands, such as Norway and Canada, their bush airports are not only government-owned, constructed, supported and maintained, but air transportation to and from these airports is heavily subsidized by the state.

With the exception of airports located in large cities, such as Manila (NAIA) and Cebu (MCIAA), many missionary airports and certainly all rural airports are impossible to privately or publicly operate at a profit. That is the reason why the private sector has been timid in entering this area. For true development to take place, the private sector is an indispensable catalyst. Indeed, there can be opportunities for these hubs of commerce to be built and to grow on their own on a strictly private basis without any government support

It would be ideal for the private sector to undertake these activities strictly on its own, without any subsidy from government, only with the proper incentives to do so. Such incentives are provided anyway to other spheres of economic activity that government wants to encourage. If the proper incentives are not provided to the construction, operation and maintenance of the rural airports, there will be no downstream domestic activities to eventually tax or even regulate.

Approval, therefore, of the attached bill is earnestly requested



HARLIN CAST. ABAYON

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AN ACT GRANTING THE RIGHT TO FRANCHISEES TO DEVELOP THE RURAL AIRPORT INFRASTRUCTURE NETWORK IN THE PHILIPPINES FOR COMMERCIAL AND OTHER PURPOSES

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

SECTION 1. The provisions of this Act shall be available to any congressional franchise holder (Franchisee) engaged in rural air transport operating any type of fixed or rotary wing, land or sea type of aircraft.

SEC. 2. A Rural Airport is, as used in this Act, any runway, take-off and landing area or seaway, not exceeding 1,200 meters in length, with a total land area not exceeding 20 hectares, which may be accessed by any type of aircraft rated by its manufacturer to utilize said facilities. Such airports are those which, due to their remoteness, lack the presence and continuous operations of any government regulatory body. Such an airport shall be so certified as a regular rural destination by any franchisee.

SEC. 3. Any Franchisee may construct, manage, operate and/or maintain any rural airport in any part of the Philippines in order to eventually make each municipality regularly accessible or within easy reach of the principal and proximate urban areas with at least 100,000 population.

SEC. 4. Any provincial or municipal road may be used for take-off and landing purposes, provided these are delineated and previously approved by the municipal or provincial government for such use; provided further, that the features of the said airports are within the specification and operating limits according to the manufacturer of the aircraft employed; and, provided finally, that adequate safety standards are followed by the Franchisee.

SEC. 5. In order to encourage industries to be developed within the immediately surrounding area of the airport, the Franchisee may establish, manage, lease and operate the following activities: aircraft hangarage, educational facilities such as but not limited to aircraft repair and maintenance and training facilities for aircraft mechanics, pilot and personnel; warehouses, light industry, commercial and financial facilities, hotel guest house and tourism facilities; and telecommunication facilities to support its activities.

SEC. 6. The Franchisee, with the use of its own aircraft and airport facilities may provide said services to any branch of the Armed Forces of the Philippines or any government agency to be compensated either in cash or in the equivalent amount of aviation fuel to be drawn from any government branch or agency in areas where these are available within terms mutually acceptable to both parties.

SEC. 7. To relieve the government of the expenses in maintaining rural airports and other missionary destinations, and as a variation of the build operate and transfer law, the franchisee may take over the management, maintenance and operation of any existing government agency operated rural airport, provided that the franchisee's own annual operating costs of operating and maintaining said airport, adjusted for an annual increment not to exceed 10% per annum. All subsequent operating expenses of the airport and the air terminal shall be for the account of the Franchisee. The savings to the government agency due to the relief from operating the airport and terminal may be employed for other infrastructure projects elsewhere.

SEC. 8. The Franchisee shall have the right to purchase and/or lease, whichever is applicable and available, adequate space at any government or government agency owned airport, aerodrome, or air terminal for purposes of linking the rural air transport system with national and international flights and, providing necessary support services.

SEC. 9. The Franchisee shall be required to cover all passengers and cargo with insurance as specified by the Air Transportation Office (ATO) or the Civil Aeronautics Board. Any third party liability of the Franchisee shall be limited to the amount of the insurance cover so specified.

SEC. 10. Whenever the ATO is not present in any point of origin or destination within the Philippines, the Franchisee shall automatically assume the status as deputy of the Air Transportation Office for air safety purposes. The Franchisee, as well as the airports operated by the Franchisee shall not be subject to the national interest. Regular reports on all airports operated by the Franchisee shall be made by the Franchisee to the ATO.

SEC. 11. The Franchisee shall exercise authority as may be necessary within its premises or airports of operation and carry out its functions, provided that the Franchisee may request the assistance of law enforcement agencies, including deputization as may be required. Such authority shall be exercised in connection with the following:

- a. Maintenance of safety and security to passengers, cargoes, aircraft, airport equipment, structures, facilities, personnel, funds and documents;
- b. Regulating the entry to, exit from and movement within the airports;
- c. Maintenance of peace and order within the premises;
- d. Contracting of private security agencies;
- e. Removal of natural obstructions that affect safety of take off and landing such as trees without need for government clearances;
- f. Enforcement of rules and regulation promulgated by the Franchisee pursuant to law.

In case of emergencies or imminent danger involving national security within the airport premises, the Philippine Air Force Security Command shall take charge.

SEC. 12. The Franchisee or operators of rural airports shall be exempt from any and all taxes, including income, capital gains, lease, rental, gross, value-added, *add valorem*, compensating import and export duties on its aircraft parts and maintenance and overhauling equipment, interest on loans and dividends on investment contracted or granted, fuel, oil and real estate taxes. In lieu of said taxes, the Franchisee shall pay the government, through the National Treasury, 5% of the gross revenues charged for all landing and take-off fees being charged on certified rural airports.

SEC. 13. The provisions of existing laws to the contrary notwithstanding, obligations of the Franchisee to any government agency or instrumentality may be automatically offset or compensated against receivables or credits of the Franchisee from any other government agency or instrumentality. It shall be the responsibility of the Budget Commissioner and/or the National Treasurer to see to the refunding or, if need be the restoration in the appropriations act of the receivables or credits of the government agency or instrumentality concerned that were used to offset or compensate the liabilities of another government agency or instrumentality.

SEC. 14. The Franchisee shall be authorized to purchase, lease, construct, rehabilitate, modernize, improve rural airports as defined in this Act and apply for offset in accordance with Section 13 of its expenses, provided that the amount do not exceed 50% of the equivalent costs of the government airport nearest to the certified rural airport. The Franchisee shall also be authorized to manage, maintain and administer said rural airports and apply its costs of management, administration and maintenance to its right to offset under Section 13, provided such costs do not exceed 50% of the current management, administration and maintenance casts of the government airport nearest to the certified rural airport.

SEC. 15. The Franchisee shall not be required to comply with the provisions of Presidential Decree No. 442 as amended, subject however to periodic review by the Department of Labor and Employment.

SEC. 16. As rural airports are vital to the air transport system in particular and the economy in general, the operations of rural airports or the franchisees shall not be disrupted by any agency unless specifically approved by the President of the Philippines and such disruption shall not exceed thirty (30) days for any occasion.

SEC. 17. Violators of this Act shall be subject to a P10,000.00 fine or imprisonment of six (6) months or both for any offense.

SEC. 18. If any of the provisions of this Act is declared unconstitutional, the other provisions shall remain valid.

SEC. 19. These powers and privileges herein presented to an eligible franchisee shall be valid for fifty(50) years and renewable for another fifty(50) years, unless invalidated by Congress.

SEC. 20. This Act shall take effect upon its approval.