

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3775

Introduced by **ATTY. MAGTANGGOL T. GUNIGUNDO I**

EXPLANATORY NOTE

This bill was originally filed as HB 4460 during the Twelfth Congress and was referred to the Committee on Transportation but was not taken up during the Committee's scheduled deliberations.

The main thrust of this bill is to grant airline franchisees the right to develop airports in rural areas in the Philippines.

Our country sorely needs dependable transport systems to make economically convenient and affordable access to and from rural areas. For commerce of any national importance to take any meaningful presence in a community, options of transport services must be made available to allow the use of the kind of service commensurate to the nature of the requirement. Aside from land and sea transport facilities, dependable air transport services is needed for rural areas to progress in cadence with the rest of the country. Speed 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 existing airports in the remote areas of our archipelago.

The government does not have enough to finance the construction of these airports. This bill seeks to provide a way to develop rural airports through the help of the private sector. Many airline companies can now expand their missionary routes by allowing them to invest in the construction and development of airport facilities in rural areas.

Meaningful development takes place only through private commerce. 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. Private sector participation in the development of rural transport systems is encouraged as an indispensable catalyst. We should help in the realization of our most laudable objective of uplifting the economic conditions in the far-flung countryside and to cope with the fast pace of the urban world.

Immediate approval of this bill is earnestly sought.


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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 the House of Representatives in Congress assembled:

Section 1. **Short Title.** – This Act shall be known as “**Rural Airport Act of 2010**”.

Section 2. **Franchisee.** –The provisions of this Act shall be available to any congressional franchise holder engaged in rural air transport operating any type or fixed or rotary wing, land or sea type of aircraft.

Section 3. **Rural Airport.** – As used in this Act, a rural airport shall mean any runway, take-off and landing area or seaway, not exceeding one thousand two hundred (1,200) meters in length, with a total land area not exceeding twenty (20) hectares, which may be accessed by any type of aircraft rated by its manufacturers to utilize the facilities.

Such airports are those which, due to the 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 franchise.

Section 4. **Construction, Management, Operation and Maintenance of Rural Airport.** – 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 within easy reach of the principal and proximate urban areas with at least one hundred thousand (100,000) population.

Section 5. **Use of Provincial or Municipal Road.** – 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 airport are within the specifications and operating limits according to the manufacturers of the aircraft employed and provided finally, that adequate safety standards are followed by the franchisee.

Section 6. **Development of the Surrounding Area of the Airport.** – 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 for aircraft mechanics, pilot and personnel; warehouses, light industry, commercial and financial facilities; hotel guest house and tourism facilities; and telecommunications facilities to support activities, provided these facilities to support activities, provided these facilities are within five hundred-meter (500 m) radius of the runway of said airports.

Section 7. **Government Use.** – 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 (AFP) 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 where these are available within terms mutually acceptable to both parties.

Section 8. **Right to Operate.** – To relieve the government of the expenses in maintaining rural airports and other missionary destinations, and as a variation of the Build-Operate-Transfer Law, the Franchisee may takeover the management, maintenance and operation of any existing government agency-operated rural airport, provided that the Franchisee's own annual operating costs for the same airport do not exceed fifty percent (50%) of the current government agency costs of operating and maintaining said airport, adjusted for an annual increment not to exceed ten percent (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 airport infrastructure projects elsewhere.

Section 9. **Right to Purchase or Lease.** – 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 flight and providing necessary support services.

Section 10. **Insurance Coverage.** – The Franchisee shall be required to cover all passengers and cargo with insurance as specified by the Air Transport Office (ATO) or the Civil Aeronautics Board (CAB). Any third party liability of the Franchisee shall be limited to the amount of the insurance cover so specified.

Section 11. **Franchisee as Deputy of ATO.** – Whenever the Air Transport Office (ATO) is not present in any airport point of origin or destination within the Philippines, the Franchisee shall automatically assume the status as the deputy of the ATO for air safety purposes. The Franchisee, as well as the airports operated by the Franchisee shall not be subject to any restrictive operations by any government agency except those that pertain to the national interest. Regular reports on all airports operated by the Franchisee shall be made by the Franchisee to the ATO.

Section 12. **Full Authority to Administer.** – 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 may be required. Such authority shall be exercised in connection with the following:

- a) Maintenance of safety and security to passengers, cargos, 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 takeoff and landing such as trees without need for government clearances; and
- f) Enforcement of the rules and regulations 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.

Section 13. **Tax Incentives.** – The Franchisee as operator of rural airport, shall be exempt from any and all taxes, including income, capital gains, lease, rental, gross, value-added, *ad 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, five percent (5%) of the gross revenues charged for all landing and take-off fees being charged on certified rural airports.

Section 14. **Authority to Offset.** – The provisions of the existing laws to the contrary notwithstanding, the Secretary of Budget and Management and/or the National Treasurer are hereby authorized to offset any outstanding obligation of the Franchisee as the operator of rural airport to any agency or instrumentality of the government, with any receivable of the Franchisee from any agency or instrumentality of the government, including those incurred in the construction and maintenance of certified rural airports.

Section 15. **Proceeds of the Offset.** – The Franchisee shall be authorized to purchase, lease, construct, rehabilitate, modernize, improve rural airports as defined in this Act and apply to offset in accordance with Section 13 its expenses, provided that the amounts do not exceed fifty percent (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 fifty percent (50%) of the current management, administration and maintenance costs of the government airport nearest to the certified rural airports.

Section 16. **Leniency Clause.** – The Franchisee shall 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.

Section 17. **No Disruption Policy.** – As the rural airport is vital to the air transport system in particular and the economy in general, its operations may not be disrupted by any agency unless specifically approved by the President of the Philippines and such disruptions shall not exceed thirty (30) days for any one occasion.

Section 18. **Duration of the Privilege.** – 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.

Section 19. **Penalty.** – Violators of this Act shall be subjected to a fine of ten thousand pesos (Php 10,000.00) or imprisonment of six (6) months, or both, for any offense against the provisions of this Act.

Section 20. **Separability Clause.** – If any of the provisions of this Act is declared unconstitutional, the other provisions shall remain valid.

Section 21. **Repealing Clause.** – All laws, decrees, executive orders, rules and regulations, or parts thereof, inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

Section 22. **Effectivity.** – This Act shall take effect fifteen (15) days following its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,