

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS

SECOND REGULAR SESSION



COMMITTEE REPORT NO. 1655

Submitted by the Committee on Legislative Franchises on 11 JAN 2012

Re: **5681** House Bill No. 5681, prepared by the Committee

Recommending its approval, in substitution with House Bills 5336

Sponsors: Representatives Marcelino "Marcy" R. Teodoro, Arturo B. Robes
and Giorgidi B. Aggabao

MR. SPEAKER:

The Committee on Legislative Franchises to which was referred and House Bill No. 5336, introduced by Reps. Marcelino R. Teodoro, Arturo B. Robes and Giorgidi B. Aggabao entitled:

"AN ACT AMENDING SECTIONS 10, 11 22 AND 24 OF REPUBLIC ACT 776, OTHERWISE KNOWN AS THE CIVIL AERONAUTICS ACT OF THE PHILIPPINES, AS AMENDED"

has considered the same and recommends that the attached House Bill No. **5681** entitled:

"AN ACT AMENDING SECTIONS 10, 11 22 AND 24 OF REPUBLIC ACT 776, OTHERWISE KNOWN AS THE CIVIL AERONAUTICS ACT OF THE PHILIPPINES, AS AMENDED"

Republic of the Philippines
HOUSE OF REPRESENTATIVES
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FIFTEENTH CONGRESS
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HOUSE BILL NO. 5681

Introduced by Reps. MARCELINO R. TEODORO, GIORGIDI B. AGGABAO,
ARTURO B. ROBES, JECI A. LAPUS, RODOLFO W. ANTONINO, GEORGE P.
ARNAIZ, CARMELO F. LAZATIN, ELEANDRO JESUS F. MADRONA, MARIA
MILAGROS "MITOS" MAGSAYSAY, ROMERO FEDERICO S. QUIMBO,
MAXIMO B. RODRIGUEZ AND ANDRES D. SALVACION, JR.

AN ACT

AMENDING SECTIONS 10, 11, 22 and 24 OF REPUBLIC ACT 776,
OTHERWISE KNOWN AS THE CIVIL AERONAUTICS ACT OF THE
PHILIPPINES, AS AMENDED

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

SECTION 1. Section 10 Republic Act No. 776, otherwise know as of the
Civil Aeronautics Act of the Philippines is hereby amended to read as follows:

"SECTION 10: *Powers and duties of the Board* -- (A) Except as otherwise
provided herein, the Board shall have the power to regulate the economic
aspect of air transportation, and exercise general supervision and
regulation of, jurisdiction and control over, air carriers, general sales
agents, cargo sales agents and airfreight forwarders as well as their
property, property rights, equipment, AND facilities, [and franchise] in so

1 far as may be necessary for the purpose of carrying out the provisions of
2 this Act.

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5 (C) The Board shall have the following specific powers and duties:

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7 (1) In accordance with the provisions of Chapter 4 of this Act, to issue,
8 deny, amend, revise, alter, modify, cancel, suspend, or revoke, in whole or
9 in part, upon petition or complaint, or upon its own initiative, any temporary
10 operating permit or Certificate of Public Convenience and Necessity
11 (CPCN); Provided, however, THAT NO CPCN SHALL BE ISSUED
12 PRIOR TO A GRANT OF VALID LEGISLATIVE FRANCHISE TO THE
13 AIRLINE COMPANY AND that in the case of foreign air carriers, the
14 permit shall be issued with the approval of the President of the Republic of
15 the Philippines.

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18 (4) To approve or disapprove increase and/or decrease of capital,
19 lease, purchase, sales of aircraft of air carrier engaged in air commerce,
20 consolidation, merger, lease and acquisition and control of operating
21 contracts between domestic foreign air carriers, or between domestic air
22 carriers or any person engaged in any phase of aeronautics AND
23 INFORM CONGRESS OF THE SAME WITHIN THIRTY (30) DAYS.

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27 SECTION 2. Section 11 of the same Act is hereby amended to read as
28 follows:

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30 *SECTION 11. *Nature, terms and conditions* – Certificate of Public
31 Convenience and Necessity (CPCN) is a permit issued by the Board

1 authorizing a person to engage in air commerce and/or transportation,
2 foreign and/or domestic. No person shall engage in air commerce
3 WITHOUT THE PRIOR GRANT OF A LEGISLATIVE FRANCHISE BY
4 CONGRESS AND unless there is in force a permit issued by the Board.

5
6 No general sales agent, cargo sales agent or airfreight forwarder shall
7 engage in any of the activities mentioned in Section 3 paragraphs (jj), (kk)
8 and (ll) respectively, unless there is in force a permit or any other form of
9 authorization issued by the Board.

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13 There shall be attached to the exercise of the privileges granted by the
14 LEGISLATIVE FRANCHISE AND THE permit, or amendment thereto,
15 such reasonable terms, conditions, or limitations as, in the judgment of the
16 Board, the public interest may require.

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20 SECTION 3. THERE SHALL BE INCORPORATED AFTER SECTION 11
21 OF REPUBLIC ACT NO. 776, AS AMENDED, A NEW SECTION TO
22 READ AS FOLLOWS:

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24 SECTION 11-A. *Legislative Franchise.* – All domestic airline
25 carriers, airfreight forwarders and air taxis operating without a legislative
26 franchise which have been issued a CPCN or other permits to operate by
27 the Civil Aeronautics Board prior to the approval of this Act may continue
28 to operate until the end of the term of the operational permits: *Provided,*
29 That the CPCN or other permits issued by the CAB granting the domestic
30 airline carriers, airfreight forwarders and air taxis shall not be extended or
31 renewed without a legislative franchise: *Provided, further,* That these

1 carriers shall be required to apply for legislative franchise within one year
2 from the effectivity of this Act.

3
4 Existing franchises that are not operated or are without pending
5 application for certificates of public convenience and necessity at the time
6 of the effectivity of this Act are deemed revoked.

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8 SECTION 4. Section 22 of the same ACT is hereby amended to read as
9 follows:

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11 "SECTION 22. *Modification, suspension or revocation* – The Board upon
12 petition or complaint or upon its own initiative, may, by order entered after
13 notice and opportunity for hearing, alter, amend, modify or suspend any
14 permit, in whole or in part, if public convenience and necessity so require,
15 or may revoke any permit in whole or in part, for intentional failure to
16 comply with any provision of this Act or any order, rule or regulation issued
17 thereunder, or any term condition or limitation of such permit: *PROVIDED,*
18 THAT THE BOARD SHALL NOTIFY CONGRESS PRIOR TO ANY
19 ACTION IT SHALL MAKE:

20
21 *Provided Further,* That the Board, for good cause, may by order, without
22 notice and hearings suspend, for a period not to exceed thirty (30) days,
23 any permit or the exercise of any privilege or authority issued or granted
24 under this Act whenever such step shall, in the judgment of the Board, be
25 necessary to avoid serious or irreparable damage or inconvenience to the
26 public. Any interested person may file with the Board a protest or
27 memorandum in support of or opposition to the alteration, amendment,
28 modification, suspension, or revocation of any permit."

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30 SECTION 5. Section 24 of the same Act is hereby amended to read as
31 follows:

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2 "SECTION 24. *Effective Date and Duration of Permit* - Each permit shall
3 be effective from the date specified therein and shall continue in effect
4 until suspended or revoked or until the Board shall certify that operation
5 thereunder has ceased: *Provided*, That if any service authorized by a
6 permit is not inaugurated within a period of ninety (90) days after the date
7 of authorization as shall be fixed by the Board or after such other period
8 as may be designated by the Board, the Board may by order direct that
9 such permit shall thereupon cease to be effective to the extent of such
10 service: *PROVIDED FURTHER*, THAT THE BOARD SHALL NOTIFY
11 CONGRESS WITHIN THIRTY (30) DAYS OF ANY CHANGE IN THE
12 STATUS OF THE FRANCHISE GRANTED TO THE AIRLINE
13 COMPANY: *Provided, FINALLY* [*further*], That no permit shall be issued
14 for a period of more than twenty five (25) years OR THAT WOULD
15 EXCEED THE TENURE OF THE FRANCHISE."

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17 SEC. 6. *Separability Clause* - If any provision of this Act is declared
18 invalid or unconstitutional, the other provisions not affected thereby shall
19 continue to be in full force and effect.

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21 SEC. 7. *Repealing Clause* - All laws, decrees, executive orders,
22 proclamations, rules and regulations and other issuances, or parts thereof which
23 are inconsistent with the provisions of this Act, are hereby repealed, amended or
24 modified.

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26 SEC. 8. *Effectivity Clause*. - This Act shall take effect fifteen (15) days
27 after its publication in at least two (2) newspapers of general circulation in the
28 Philippines.

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30 Approved.

FACT SHEET

Substitute House Bill No. **5681**

In Substitution to House Bill No. 5336

AN ACT AMENDING SECTIONS 10, 11, 22 & 24 OF REPUBLIC ACT 776, OTHERWISE KNOWN AS THE CIVIL AERONAUTICS ACT OF THE PHILIPPINES, AS AMENDED

Introduced by: HON. MARCELINO R. TEODORO, GIORGIDI B. AGGABAO, ARTURO B. ROBES, JECI A. LAPUS, RODOLFO W. ANTONINO, GOERGE P. ARNAIZ, CARMELO F. LAZATIN, ELANDRO JESUS F. MADRONA, MARIA MILAGROS "MITOS" MAGSAYSAY, ROMERO FEDERICO S. QUIMBO, MAXIMO B. RODRIGUEZ and ANDRES SALVACION, JR.

*Committee Referral: LEGISLATIVE FRANCHISES
Committee Chairperson: HON. MARCELINO R. TEODORO*

OBJECTIVE:

- To strengthen the right of Congress to regulate public utilities including public transportation

KEY PROVISIONS:

- Reverts to Congress the authority of granting legislative franchise to operators of airlines
- Grants Civil Aeronautics Board the authority to regulate the operation of airline companies
- Provides that the grantee shall secure from Congress the legislative franchise to operate air transportation prior to issuance of a Certificate of Public Convenience and Necessity to airline companies by the Civil Aeronautics Board
- Requires the Civil Aeronautics Board to inform Congress prior to any action to modify, suspend or revoke any permit it has issued to franchise grantees. Honors licenses granted by Civil Aeronautics Board within the expressed terms in their licenses. These carriers shall be required to apply for legislative franchise within three (3) years from the effectivity of this Act.
- Prohibits the Civil Aeronautics Board from issuing Certificate of Public Convenience and Necessity without legislative franchises.

RELATED LAW:

- Republic Act No. 776 – "CIVIL AERONAUTICS ACT OF THE PHILIPPINES"