

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

SEVENTEENTH CONGRESS  
First Regular Session

House Bill No. **5813**



---

Introduced by Rep. Pantaleon D. Alvarez, Rep. Rodolfo C. Fariñas and Rep. Danilo E. Suarez

---

**EXPLANATORY NOTE**

Article XII Section 11 of the Philippine Constitution states that no franchise, certificate, or any other form of authorization for the operation of a public utility shall be granted, except under the condition that it shall be subject to amendment, alteration, or repeal by the Congress when the common good so requires.

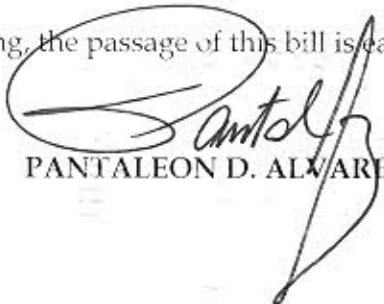
Article 1733 of the Civil Code on the other hand provides that common carriers are bound to observe extraordinary diligence in the vigilance over the goods and for the safety of the passengers transported by them, according to all circumstances of each case.

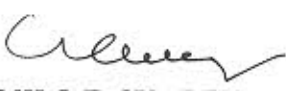
It is in this regard that Air Philippines Corporation (presently known as PAL Express) was granted a legislative franchise by Congress through Republic Act No. 9215 on July 26, 2003, with the express provision that it will charge just and reasonable rates and provide efficient service to the riding public.

Unfortunately, various complaints have been made by passengers regarding the poor service of Air Philippines, specifically exorbitant fees charged during peak season, inordinate delays in flights, and worse, unilateral cancellation of flights, causing severe inconvenience to the people. These practices of Air Philippines are detrimental to the common good and do not fall within the purview of "extraordinary diligence."

In fact, these are grounds for the amendment and alteration of the franchise of Air Philippines, something that this bill seeks to achieve to make the franchise of Air Philippines more beneficial to the riding public.

In view of the foregoing, the passage of this bill is earnestly sought.

  
PANTALEON D. ALVAREZ

  
DANILO E. SUAREZ

  
RODOLFO C. FARIÑAS

182

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

Seventeenth Congress  
*First Regular Session*

House Bill No. **5813**

---

Introduced by Honorable Pantaleon D. Alvarez, Honorable Rodolfo C. Fariñas and  
Honorable Danilo E. Suarez

---

**AN ACT**  
**FURTHER AMENDING THE FRANCHISE GRANTED TO AIR PHILIPPINES**  
**CORPORATION, UNDER REPUBLIC ACT NO. 8339, OTHERWISE KNOWN AS "AN**  
**ACT GRANTING AIR PHILIPPINES CORPORATION (AIR PHILIPPINES) A**  
**FRANCHISE TO ESTABLISH, OPERATE, AND MAINTAIN DOMESTIC AND**  
**INTERNATIONAL AIRTRANSPORT SERVICES" AS AMENDED**

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

1 **SECTION 1.** Section 4 of Republic Act No. 8339, otherwise known as "An Act Granting Air  
2 Philippines Corporation (Air Philippines) a Franchise to Establish, Operate and Maintain  
3 Domestic and International Air Transport Services" is hereby amended to read as follows:

4       **"SECTION 4. Rates for Services.** – The grantee shall fix just and reasonable rates for  
5 the transportation of passengers, mail, goods and freight, subject to the  
6 regulations and approval of the Civil Aeronautics Board and other proper  
7 regulatory agencies of the government. *PROVIDED HOWEVER, THAT ANY*  
8 *INCREASE IN RATES THAT IS A NATURAL CONSEQUENCE OF THE INCREASE*  
9 *IN DEMAND DURING PEAK-SEASON, SHALL BE SUBJECT TO A CAP OF 20%*  
10 *OVER THE REGULAR OFF-PEAK RATES."*

11  
12 **SECTION 2.** Section 5 of Republic Act No. 8339 is hereby amended to read as follows:

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

(a) Commence operations within one (1) year from the approval of its permit by the Civil Aeronautics Board;

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

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

THIS FRANCHISE IS SUBJECT TO REVIEW BY CONGRESS EVERY FIVE YEARS FROM THE EFFECTIVITY OF THIS AMENDATORY ACT.

**SECTION 3.** Section 11 of Republic Act No. 8339, as amended by Republic Act 9215, is hereby further amended to read as follows:

"SEC. 11. *Tax Provisions.* — The grantee, its successors or assigns, shall pay to the Philippine Government during the life of its franchise, THE VALUE-ADDED TAX UNDER REPUBLIC ACT NO 7716, AS AMENDED, OR A FRANCHISE TAX OF FIVE PERCENT (5%) PER ANNUM OR AT SUCH PERCENTAGE AS MAY BE PRESCRIBED BY LAW ON ALL GROSS RECEIPTS OF ITS TRANSPORT BUSINESS TRANSCTED UNDER THIS FRANCHISE, WHICHEVER IS HIGHER; PROVIDED THAT THE GRANTEE, ITS SUCCESSORS OR ASSIGNS, SHALL CONTINUE TO BE LIABLE FOR INCOME TAXES PAYABLE UNDER TITLE II OF THE NATIONAL INTERNAL REVENUE CODE PURSUANT TO SEC. 2 OF EXECUTIVE ORDER NO. 72, UNLESS THE LATTER ENACTMENT IS AMENDED OR REPEALED, IN WHICH CASE, THE AMENDMENT OR REPEAL SHALL BE APPLICABLE THERETO.[a franchise tax of five percent (5%) of the gross revenues derived by the grantee from its transport operations.]

[In the event that any competing individual, partnership or corporation receives or enjoys tax privileges and other favorable terms which tend to place the herein grantee at any disadvantage, then such provisions shall be deemed ipso facto part hereof and shall operate equally in favor of the grantee. The grantee shall, however, be subject to income tax levied under Title II of the National Internal Revenue Code, as amended, and tax on its real property under existing laws on revenues earned from activities other than air transportation."]

THE GRANTEE, ITS SUCCESSORS OR ASSIGNEES, SHALL BE LIABLE TO PAY THE SAME TAXES ON THEIR REAL ESTATE, BUILDINGS AND PERSONAL PROPERTY, EXCLUSIVE OF THIS FRANCHISE, AS OTHER PERSONS OR

CORPORATIONS ARE NOW OR HEREAFTER MAY BE REQUIRED BY LAW TO  
PAY.

**SECTION 4.** A new Section 14 is hereby inserted in Republic Act No. 8339, to read as follows:

"SECTION 14. COMPLIANCE WITH APPLICABLE LAWS. - THE GRANTEE SHALL COMPLY WITH ALL APPLICABLE LAWS, RULES, AND REGULATIONS, PARTICULARLY REPUBLIC ACT NO. 7432, AS AMENDED BY REPUBLIC ACT NO. 9994, OTHERWISE KNOWN AS THE "EXPANDED SENIOR CITIZENS ACT OF 2010" AND REPUBLIC ACT NO. 7277, AS AMENDED BY REPUBLIC ACT NO. 10754, OTHERWISE KNOWN AS "AN ACT EXPANDING THE BENEFITS AND PRIVILEGES OF PERSONS WITH DISABILITY (PWD)".

All other sections are hereby renumbered accordingly.

**SECTION 5.** *Repealability and Non-exclusivity Clause.* - This franchise shall be subject to amendment, alteration, or repeal by the Congress of the Philippines when the public interest so requires and shall not be interpreted as an exclusive grant of the privileges herein provided for.

**SECTION 6.** *Separability Clause.* - If any of the sections or provisions of this Act is held invalid, all other provisions not affected thereby shall remain valid.

**SECTION 7.** *Repealing Clause.* - All laws, decrees, orders, resolutions, instructions, rules and regulations, and other issuances, or parts there of which are inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

**SECTION 8.** *Effectivity.*- This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,