

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

SEVENTEENTH CONGRESS
First Regular Session

House Bill No. **5815**



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.

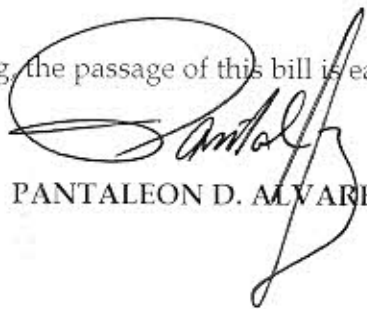
Article 1733 of the Civil Code on the other hand provides that common carriers are bound to observe extraordinary diligence in the vigilance over the goods and for the safety of the passengers transported by them, according to all circumstances of each case.

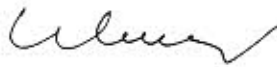
It is in this regard that Cebu Air, Inc. (presently known as Cebu Pacific) was granted a legislative franchise by Congress through Republic Act No. 7151 on August 30, 1991, with the express provision that it will charge just and reasonable rates and provide efficient service to the riding public.

Unfortunately, mounting complaints from Cebu Pacific's passengers regarding its poor service, specifically exorbitant fees charged during peak season, inordinate delays in flights, overbooking, and worse, unilateral and unannounced cancellation of flights without due notice, such as the unannounced cancellation of flights on December 24 to 26, 2014, among others, causing severe inconvenience to the people. These unfair practices of Cebu Pacific 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 Cebu Pacific, something that this bill seeks to achieve to make its franchise 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

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House Bill No. **5815**

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

AN ACT
AMENDING REPUBLIC ACT NO. 7151, OTHERWISE KNOWN AS "AN ACT
GRANTING CEBU AIR, INC., A FRANCHISE TO ESTABLISH, OPERATE, AND
MAINTAIN TRANSPORT SERVICES FOR THE CARRIAGE OF PASSENGERS, MAIL,
GOODS AND PROPERTY BY AIR, BOTH DOMESTIC AND INTERNATIONAL, WITH
CEBU AS ITS BASE."

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. 7151, otherwise known as "An Act Granting
2 Cebu Air, Inc., a Franchise to Establish, Operate and Maintain Transport Services for the
3 Carriage of Passengers, Mail, Goods and Property by air, both domestic and international,
4 with Cebu at its base" is hereby amended to read as follows:

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

12
13 **SECTION 2.** Section 5 of Republic Act No. 7151, is hereby amended to read as follows:

14 "Section 5. The grantee shall be for a term of forty (40) years from the date of the
15 approval of this Act, unless sooner revoked or cancelled. In the event that the grantee
16 fails to operate within two (2) years from the effectivity of this Act, this franchise
17 shall be deemed ipso facto revoked.

1
2 THE REMAINING TERM OF THIS FRANCHISE SHALL BE SUBJECT TO REVIEW
3 BY CONGRESS EVERY FIVE YEARS FROM THE EFFECTIVITY OF THIS
4 AMENDATORY ACT.

5
6 **SECTION 3.** Section 11 of Republic Act No. 7151, is hereby amended to read as follows:
7

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

22
23 [In the event that any competing individual, partnership or corporation receives and
24 enjoys tax privileges and other favorable terms which tend to place the herein
25 grantee at any disadvantage, then such provisions shall be deemed ipso facto part
26 hereof and shall operate equally in favor of the grantee.

27
28 The grantee shall, however, be subject to income tax levied under Title II of the
29 National Internal Revenue Code, as amended, and tax on its real property under
30 existing laws on revenues earned from activities other than air transportation."]

31 THE GRANTEE, ITS SUCCESSORS OR ASSIGNEES, SHALL BE LIABLE TO PAY
32 THE SAME TAXES ON THEIR REAL ESTATE, BUILDINGS AND PERSONAL
33 PROPERTY, EXCLUSIVE OF THIS FRANCHISE, AS OTHER PERSONS OR
34 CORPORATIONS ARE NOW OR HEREAFTER MAY BE REQUIRED BY LAW TO
35 PAY.

1
2 **SECTION 4.** A new Section 13 is hereby inserted in Republic Act No. 7151, to read as
3 follows:

4 "SECTION 13. COMPLIANCE WITH APPLICABLE LAWS. - THE GRANTEE
5 SHALL COMPLY WITH ALL APPLICABLE LAWS, RULES, AND REGULATIONS,
6 PARTICULARLY REPUBLIC ACT NO. 7432, AS AMENDED BY REPUBLIC ACT
7 NO. 9994, OTHERWISE KNOWN AS THE "EXPANDED SENIOR CITIZENS ACT
8 OF 2010" AND REPUBLIC ACT NO. 7277, AS AMENDED BY REPUBLIC ACT NO.
9 10754, OTHERWISE KNOWN AS "AN ACT EXPANDING THE BENEFITS AND
10 PRIVILEGES OF PERSONS WITH DISABILITY (PWD)".

11 All other sections are hereby renumbered accordingly.
12

13 **SECTION 5.** *Repealability and Non-exclusivity Clause.* - This franchise shall be subject
14 to amendment, alteration, or repeal by the Congress of the Philippines when the
15 public interest so requires and shall not be interpreted as an exclusive grant of the
16 privileges herein provided for.
17

18 **SECTION 6.** *Separability Clause.* - If any of the sections or provisions of this Act is
19 held invalid, all other provisions not affected thereby shall remain valid.
20

21 **SECTION 7.** *Repealing Clause.* - All laws, decrees, orders, resolutions, instructions,
22 rules and regulations, and other issuances, or parts there of which are inconsistent
23 with the provisions of this Act are hereby repealed, amended, or modified
24 accordingly.
25

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

Approved,