



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila



Seventeenth Congress
Second Regular Session

HOUSE BILL NO. **7306**

Introduced by
**REPRESENTATIVES PANTALEON D. ALVAREZ, RODOLFO C.
FARIÑAS, DANILO E. SUAREZ, CESAR V. SARMIENTO AND
AURELIO D. GONZALES, JR.**

AN ACT
CREATING THE PHILIPPINE AIRPORT DEVELOPMENT
CORPORATION AND APPROPRIATING FUNDS THEREFOR

EXPLANATORY NOTE

This bill seeks to create the Philippine Airport Development Corporation ("PADC").

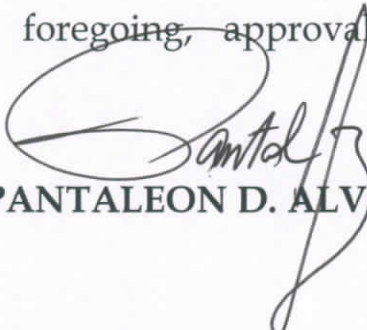
During the first State of the Nation Address of President Rodrigo Duterte, he echoed his election campaign promises in his inaugural address - law and order, economic development, and improved government services. He called for streamlined processes to make the delivery of services faster and simpler.

Airports significantly contribute to globalization. They connect communities, cities and countries, fostering economic growth, generating employment and encouraging international commerce and tourism.

Currently, there are eighty-five (85) national airports operating in the Philippines; eleven (11) of these are used for international flights. Of the 11 international airports, only seven (7) are owned and controlled by the Civil Aviation Authority of the Philippines ("CAAP"), and four are operated and administered by airport authorities, namely, the Manila International Airport Authority ("MIAA"), the Mactan-Cebu International Airport Authority ("MCIAA"), the Clark International Airport Corporation ("CIAC") and the Subic Bay International Airport Corporation ("SBIAC"). Maintaining these separate corporate bodies runs counter to the objectives of President Duterte to streamline processes. It is better for the government to have only one body that will be responsible for the construction, management administration and operation of all airports in the country.

This proposed measure seeks to create the PADC which will undertake all manner of business and development projects for the establishment of a reliable and more efficient airport industry, especially for the construction, maintenance and operation of airports all over the country. The PADC will be the sole body that will govern the planning, maintenance operation, and improvement of all airports, and control and supervise the construction of any structure or the rendition of any service within the airports. To allow the PADC to exercise its functions effectively, it is necessary to abolish MIAA, MCIAA, CIAC, and SBIAC.

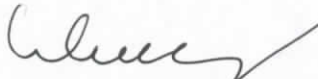
In view of the foregoing, approval of this bill is earnestly recommended.



PANTALEON D. ALVAREZ



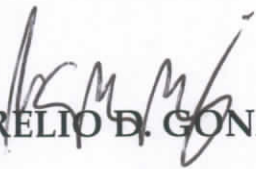
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AN ACT
CREATING THE PHILIPPINE AIRPORT DEVELOPMENT
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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SEC. 1. Short title. - This Act shall be known as the "*Philippine Airport Development Corporation Act*."

SEC. 2. Declaration of Policy. - It is the policy of the State to undertake a comprehensive and reliable program to maximize the national utility of the airport industry, and to enhance public utility and public service by modernized flight and ground equipment and standardized airport runways that allow safe and harmonious travel for all.

SEC. 3. Philippine Airport Development Corporation - To carry out the policy mentioned in Section 2 of this Act, the Philippine Airport Development Corporation ("PADC") is hereby created, hereinafter referred to as the "Corporation," with principal office in Metro Manila.

The Corporation shall exist for a period of fifty (50) years from the date of the effectivity of this Act.

SEC. 4. Purposes. -The Corporation shall have the following purposes:

- a) To undertake all manner of business and development projects for the establishment of a reliable and efficient airport industry, especially for the construction and maintenance of airports all over the country;
- b) To encourage, promote and develop international and domestic air traffic in the Philippines in order to make the Philippines a center of international trade and tourism, and accelerate the development of instruments of transportation and communication in the country;
- c) To upgrade the best services and facilities of the airports and to comply with internationally acceptable standards of airport accommodation and services; and
- d) To bid-out airport concessions, whether of existing or of greenfield airports, including, but not limited to the construction, expansion, upgrading and maintenance, to private concessionaires, as it deems fit and necessary.

SEC. 5. Powers and functions. - The Corporation shall have the following powers and functions:

- a) To formulate a comprehensive and integrated development policy and program for the airports and to implement, review and update such policy and program periodically;
- b) To control, supervise, construct, maintain, operate and provide such facilities or services as shall be necessary for the efficient functioning of the airports;
- c) To promulgate rules and regulations in complying with the parameters set by the appropriate regulatory body, governing the planning, development, maintenance operation and

improvement of the airports, and to control and supervise the construction of any structure or the rendition of any service within the airports;

- d) To enter into joint venture with other corporations as needed;
- e) To exercise all the powers of a corporation under the Corporation Code of the Philippines, insofar as those powers are not inconsistent with the Provisions of this Act;
- f) To acquire, purchase, own, administer, lease, mortgage, sell or otherwise dispose of any land, building, airport facility, or property of whatever kind and nature, whether movable or immovable, or any interest therein: Provided, that any asset located in any of the airports in the Philippines owned and controlled by Civil Aviation Authority of the Philippines ("CAAP") shall be transferred to PADC;
- g) To determine and fix, landing fees, parking space fees, tacking fees, royalties on sales or deliveries, direct or indirect, to any aircraft for its use of aviation gasoline, oil and lubricants, spare parts, accessories and supplies, tools, and other royalties, fees or rentals for the use of any of the property under its management and control;
- h) To exercise the power of eminent domain in the exercise of its purpose and function as determined under this Act;
- i) To cause the reclamation of any land needed for airport development;
- j) To supervise and control private security agencies operating in the airports; and
- j) To enforce rules and regulations promulgated by the Corporation pursuant to law.

SEC. 7. Board of Directors. - The corporate powers of the Corporation shall be exercised by and vested in a Board of Directors, hereinafter referred to as the Board, composed of a Chairperson a Vice-Chairperson

and seven (7) members. The Secretary of Transportation and the General Manager of the Corporation shall be the *ex officio* Chairperson and Vice-Chairperson of the Board, respectively. Representatives from the following executive departments shall be *ex officio* members, to wit: the Department of Finance, the Department of Foreign Affairs, and the Department of Tourism. In addition, two (2) members from the private sector shall be appointed to the Board by the President of the Philippines for a term of four (4) years. The Board shall promulgate its rules relative to meetings, quorum requirements and compensation or allowances of its members.

SEC. 8. Functions, Powers and Duties of the Board. - In addition to the Powers vested in the Board under this Act, the Board shall have the following Administrative functions, powers and duties:

- a) To define and approve the programs, plans, policies, procedures and guidelines of the Corporation for the development and operation of airports;
- b) To appoint the General Manager of the Corporation who shall be the Chief Executive Officer of the Corporation;
- c) To approve the Corporation's organizational and administrative structure, staffing pattern, operating and capital expenditures, and financial budgets, upon recommendation of the General Manager, subject to existing law, rules and regulations;
- d) To approve salary ranges, benefits and other terms and conditions of service for all officers and employees of the Corporation, upon recommendation of the General Manager, which shall, as far as practicable, be competitive with those offered in the private sector, subject to existing laws, rules and regulations;
- e) To fix the dues, charges, fees or assessments for the use of airport premises, works, appliances, facilities, concession, services and other fees and charges related to the activities of the airports, upon recommendation of the General Manager; and

- f) To exercise all the functions and powers necessary or incidental to attain the purposes and objectives of this Act.

SEC. 9. Development of New Airports. – In addition to those enumerated under the preceding section, the Corporation shall be responsible for the planning, development, construction, operation, maintenance, or the expansion of airports. In planning and developing new airports, the Board shall consider:

- a) The suitability of a proposed site in terms of terrain and proximity to population center(s);
- b) The projected size of the market to be served by a proposed airport;
- c) The ability of a proposed airport to generate sufficient revenue to cover costs of operation and maintenance;
- d) The availability of funding from both local and foreign sources for the construction of a new airport or expansion of an existing one;
- e) The proximity of other airports to a proposed new airport and the capability of such other airport to handle traffic projected to be handled by the new proposed airport;
- f) The government's public service obligations, more particularly the government's duty to ensure the availability of air transport infrastructure for remote areas far from major population centers and that are not otherwise easily accessible by transportation via land or sea. In such cases, the Board shall take reasonable steps to ensure that funding will be available for the operation and maintenance of such airports;
- g) The International Civil Aviation Organization's ("ICAO") best practices and recommendations concerning the development of airports; and
- h) Such other considerations as the Board, in the exercise of its reasonable discretion, may consider relevant or important.

SEC. 10. Functions, Powers and Duties of the General Manager. – The General Manager shall be directly responsible to the Board and shall exercise the following functions, powers and duties:

- a) To direct and supervise the day-to-day management, operation and administration of the airports;
- b) To implement and enforce decisions, orders, rules and regulations issued, prescribed or adopted by the Board;
- c) To undertake researches, studies, investigations and other activities related to the present operations and future improvement of the airports, and to submit comprehensive reports and appropriate recommendations to the Board for proper action;
- d) To appoint, transfer, suspend, remove or otherwise discipline any subordinate officer or employee of the Corporation, subject to the approval of the Board and in accordance with the existing rules and regulations of the Civil Service Commission;
- e) To execute contracts, incur obligations, acquire and dispose of assets and to deliver documents on behalf of the Corporation within the limits of the authority delegated by the Board;
- f) To grant permits or concessions to do business within the airports in accordance with such rules and regulations to be promulgated by the Corporation; and
- g) To perform such other duties as the Board may delegate or assign, and such act as may be necessary and proper to implement this Act.

SEC. 11. Authorized Capital Stock. – The Corporation shall have an authorized capital stock equal to and consisting of:

- a) The value of fixed assets, including airport facilities, runways and equipment and such other properties, movable and

immovable, currently administered by or belonging to the airports as valued on the date of the effectivity of this Act;

- b) The value of such real estate owned or administered by the airports; and government contribution in such amount as may be deemed an appropriate initial balance.

Such initial amount, as approved by the President of the Philippines, which shall be more or less equivalent to six (6) months working capital requirement of the Corporation, is hereby authorized to be appropriated in the General Appropriations Act of the year following this enactment.

SEC. 12. Fiscal Autonomy. - The Authority shall enjoy fiscal autonomy. NOTWITHSTANDING ANY LAW TO THE CONTRARY, especially the pertinent provisions of Republic Act No. 7656, all moneys earned by the Authority from the collection/levy of any and all such fees, charges, dues, assessments and fines it is empowered to collect/levy under this Act shall be used solely to fund the operations of the Authority.

This Section may only be modified, amended, or repealed expressly by a law that specifically modifies, amends, or repeals this section or a portion hereof.

SEC. 13. Philippine Airport Development Corporation's Fund. - There is hereby established a fund to be known as the Philippine Airport Development Corporation's Fund, hereinafter referred to as "the PADC fund." The operating expenses shall be drawn against:

- a) All revenues from the aeronautical and allied services operated or rendered by the Corporation;
- b) Such sums as may be remitted by foreign states, international organizations, multilateral or bilateral lending agencies, corporations or private individuals for the exercise of any of the functions of the Corporation;
- c) Proceeds from sales of bonds, grants, donations, disposal of assets and sales of disposable assets, loans and other forms of indebtedness entered into by the Corporation;

- d) Interests which may be earned on investments or on idle cash by the Corporation; and
- e) Drawings upon the capital surplus of the Corporation.

SEC. 13-A. Application of Fund. - The money in the fund shall be applied in defraying the following expenditure:

- a) Acquisition of property by the Corporation in the performance of its functions or exercise of its powers;
- b) Remuneration and allowances of members of the Board;
- c) Remuneration, allowances, advances, loans, pensions and gratuities payable or made to employees;
- d) Capital and operating expenses, including maintenance and insurance of the property of the Corporation; and
- e) Any other expenditure authorized by the Corporation in the performance of its functions."

SEC. 13-B. Retention of Earnings Collected and Dispositions thereof. - Earnings collected by the corporation under this Act shall be retained by the Corporation which shall be disbursed, as the Corporation may deem necessary and appropriate, to carry out the objectives of this Act.

SEC. 14. Compensation and Other Emoluments of the Corporation's Personnel. - Within six (6) months from the effectivity of this Act, the Board shall determine the schedule of salaries of the employees of the Authority subject to the compliance with the existing compensation laws: Provided, That the Board shall determine and fix the compensation and fringe benefits of employees holding technical positions that are not common to the other agencies of the government which shall be specified in the Implementing Rules and Regulations. The personnel of the authority shall be exempt from the coverage of the salary standardization law.

This Section may only be modified, amended, or repealed expressly by a law that specifically modifies, amends, or repeals this section or a portion hereof.

SEC. 15. *Annual Budget.* – The Board shall adopt an annual budget to fund the operations of the Corporation. The annual budget of the Corporation shall be prepared and submitted by the General Manager for approval of the Board and shall not be subject to any restriction and limitation by any government agency except by the Commission on Audit.

Unless the Corporation shall require subsidy and/or guarantee of its liability from the national treasury, its budget for the year need not be submitted to Congress for approval and inclusion in the General Appropriations Act. Supplementary budget may be prepared and adopted at a board meeting called for that purpose.

SEC. 16. *Organizational Structure of the Corporation.* – Within fifteen (15) days from the appointment of and acceptance by all members of the Board and the General Manager of their respective appointments, the Board, in consultation with the General Manager, shall meet to draw-up the Authority's organizational structure. The Board shall agree on the Authority's final organizational structure not later than six (6) months from the date of the effectivity of this Act.

SEC. 17. *Transfer of Airport Screeners Function from the Office for Transportation Security to the Corporation.* – Notwithstanding the preceding section, there shall hereby be created an Office for Airport Security, hereinafter referred to as OAS, tasked to ensure the protection and safety of passengers, crew, ground personnel, the general public, aircraft and facilities of all airports servicing civil aviation in the Philippines, against acts of unlawful interference perpetrated on the ground.

The OAS shall perform the following functions:

- (1) Formulate, implement and maintain a national airport security program to deal with any threat to the security of any airport within the jurisdiction of the corporation;

(2) Hereinafter assume and exercise responsibility for airport security operations, including, but not limited to, security screening of passengers, baggage and cargo, and training and employment of security screening personnel which are performed by the Office for Transportation security prior to this Act;

(3) Ensure that airport security services at international airports are provided with the necessary supporting facilities, including office space, telecommunications equipment, and appropriate security equipment and training facilities; and

(4) Ensure that architectural and infrastructure-related requirements necessary for the optimum implementation of international aviation security measures are integrated into the design and construction of new facilities and alterations to existing facilities at international airports.

For this purpose, the functions of the Office for Transportation Security pertaining to civil aviation security operations mentioned above, and as maybe pertinent and related to the above enumerations, shall be transferred to the OAS.

SEC. 18. Auditor. – The Commission on Audit (“COA”) shall appoint an auditor of the Corporation, together with the necessary personnel to assist the auditor in performance of its duties. The number and salaries of the auditor and personnel shall be determined by the Chairperson of the COA, subject to the rules and regulations of the COA.

The payment of the loans or other indebtedness of the Corporation may be guaranteed by the National Government subject to the approval of the President of the Philippines.

SEC. 19. Tax Exemptions. – The Corporation shall be exempt from taxes imposed by the National Government or any of its political subdivisions, agencies and instrumentalities: *Provided*, that no tax exemption herein granted shall extend to any subsidiary which may be organized by the Corporation or any other entities.

SEC. 20. Transfer of Existing Facilities and Intangible Assets. – All existing public airport facilities, runway, lands, buildings and other properties, movable or immovable, belonging to or presently

administered by the airports, and all assets, powers, rights, interest and privileges relating to airport works or air operations, including all equipment which are necessary for the operation of air navigation, aerodrome control towers, crash, fire, and rescue facilities are hereby transferred to the Corporation: *Provided*, however, that the operational control of all equipment necessary for the operation of radio, aids to air navigation, airways communication, approach control office, and area control center under the Air Traffic Service ("ATS") and Air Navigation Service ("ANS"), shall be retained by the CAAP. No equipment, however, shall be removed by the CAAP from any of the airports without the concurrence of the Corporation. The Corporation may assist in the maintenance of the CAAP equipment.

SEC. 21. *Projects in Progress.* – All ongoing projects relating to the construction of airport facilities and the supply of equipment shall be administered and undertaken by the Corporation.

SEC. 22. *Assumption of Liabilities and Debts.* – Upon the transfer to and acceptance by the Corporation of the existing physical facilities, intangible assets and completed projects referred to in the preceding sections, all debts, liabilities, and obligations of government agencies or entities concerned in respect of such physical facilities, tangible assets and completed projects within the airports shall likewise be assumed by the Corporation.

SEC. 23. *Abolition.* – The MIAA, MCIAA, CIAC and the SBIAC are hereby abolished. The airport general manager of all airports shall continue in office and shall perform all powers and functions of the Corporation until such time as the general manager of the Corporation is appointed for the smooth transfer of responsibility from the abolished entities to the Corporation, as well as the determination of personnel to be retained: *Provided*, That all officials and employees whose services are terminated shall, if not eligible for retirement, be given gratuities equivalent to one (1) month salary for every year of continuous satisfactory service on the basis of the highest salary received in addition to other benefits accorded to them by existing laws;

SEC. 24. *Repealing Clause.* – Section 78 of Republic Act No. 9497, otherwise known as the Civil Aviation Authority Act of 2008, Presidential Decree No. 206, otherwise known as the Philippine Aerospace

Development Corporation, Executive Order No. 778, otherwise known as the MIAA Charter, Republic Act No. 6958, otherwise known as MCIAA Charter, and Executive Order No. 192, otherwise known as the CIAC Charter, Section 13(b) of Republic Act 7227, otherwise known as Bases Conversion and Development Act of 1992 are hereby repealed; Provided, however, that the abolition of MCIAA and the transfer of airport control from CAAP to PADC shall not affect the concession rights granted to GMR-MEGAWIDE for the modernization and expansion of the Mactan-Cebu International Airport and shall in no way change or modify the existing concession agreement granted to TransAire for the expansion of the Caticlan Airport. Provided further that GMR-MEGAWIDE and TransAire shall hereafter be subjected to the authority of the PADC. All other laws, executive orders, rules and regulations, or provisions thereof which are inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

SEC. 25. Separability Clause. – If any portion hereof shall be held invalid or unconstitutional, such invalidity or unconstitutionality shall not affect the other provisions which shall remain in full force and effect.

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

Approved,