



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Eighteenth Congress
Second Regular Session

HOUSE BILL NO. 9324



Introduced by **Representative Sharon S. Garin**

EXPLANATORY NOTE

The air transport sector is a major contributor to the Philippine economy. Air transport is a major facilitator of the flow of goods, investments and people. Undoubtedly, the jobs and spending generated by air carriers and their supply chain, the flows of trade, tourism and investment resulting from users of all airlines serving the country, and the city pair connections that make these flows possible are among the stakeholders affected by the decline in demand for the air transport sector. due to the pandemic Records show that about 1.2M jobs were being generated, \$10.4 billion worth of gross value-added contribution to the gross domestic product and about 3.4% of the GDP was supported by the air transport sector and foreign tourists arriving by air.

Due to COVID-19 pandemic, the members of the Philippine air transport sector are facing an *existential threat*. In fact, on March 17, 2020, the Center for Asia Pacific Aviation (CAPA) predicted that by end of May 2020 most airlines in the world will be bankrupt due to pandemic.

With the catastrophic impact of COVID-19 on aviation industry, airlines in different jurisdiction are already talking, issuing and releasing relief packages like the Australian Federal Government that provided Qantas and Jetstar AUS\$715M with refund and waiver of aviation fuel excise, air service charges and domestic and regional aviation security charges; Air New Zealand received a loan facility of NX\$900M; Air India, Indigo and Spice Jet were provided by the Indian government the amount of USD1.6B and temporary suspension of most taxes levied on the sector including deferment of aviation fuel tax; Canadian carriers were promised USD 82B while US carriers will receive not less than USD5 billion each.

In this difficult times, any economic recovery packages can never be considered as economic stimulus without reliefs granted to the air transport sector that play a vital role in the Philippine economy. The support programs incorporated in Bayanihan 1 and 2 for critically impacted industries, such as loan guarantees for the air transport sector, will expire by 30 June 2021.

Despite the debilitating effects of the lockdown to its operations, airline companies continue to support the nation in its recovery by continuing to fly our displaced OFWs and assist in the delivery of medical equipment to key cities, including logistics support for the vaccine roll-out. It is time for the true *Bayanihan* to recover and arise as one by extending assistance that our government can support and help rebuild the air transport sector.

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

A stylized, handwritten signature in black ink, consisting of a large, flowing 'S' that loops around and ends with a horizontal stroke.

SHARON S. GARIN
Party List, AAMBIS-OWA



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EIGHTEENTH CONGRESS
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1 **AN ACT**
2 **PROVIDING FOR RELIEF PACKAGE TO THE AIR TRANSPORT SECTOR OF THE**
3 **PHILIPPINES**

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

6 **SECTION. 1. Short Title.** - This Act shall be known as “**Air Carriers Relief Act**”.

7 **SEC. 2. Declaration of Policy.** – It is the policy of the State to provide for support to all
8 major sectors having major impact in the economy for its recovery and resiliency in times of
9 national health emergencies. It shall recognize the vital role of the transportation sector in
10 facilitating the flow of goods, people and investment. Towards this end, it shall be a priority of the
11 government to provide reliefs for any threat to the existence of the air transport sector by extending
12 loan payments, interest free loans, loan guarantees and regulatory reliefs during this challenging
13 time of pandemic.

14 **SEC. 3. Coverage.** — This Act shall provide reliefs for domestic air carriers of the
15 Philippines. A “domestic air carrier” is a company duly organized and existing under Philippine
16 laws with a legislative franchise or a certificate of public convenience and necessity from the Civil
17 Aeronautics Board (CAB); and. an **air operator** certificate from the Civil **Aviation** Authority of
18 the **Philippines** (CAAP).

19 **SEC. 4. Extension of Air Transport Sector’s Loan Payments.** – Banks and other non-
20 bank financial institution (NBFIs), under the supervision of the Securities and Exchange
21 Commission (SEC) and Bangko Sentral ng Pilipinas (BSP), shall extend the term of or agree to
22 the restructuring of existing commercial loans of air transport sector for a period of three (3) years,
23 and may be further extended for another of two (2) years with an interest rate as may be set by the
24 BSP.

25 The banks and other NBFIs that agree to loan term extension or restructuring pursuant to
26 this Section shall be entitled to regulatory reliefs of non-inclusion of said loan term extension or
27 restructuring in the bank's or NBIF's reporting non-performing loans, exemption from loan-loss
28 provisioning, exemption, when applicable, from the limits on real estate loans, and exemption from
29 related party transaction restrictions, as may be determined by BSP.

30 **SEC. 4. Interest Free Loans.** - The Development Bank of the Philippines (DBP) shall
31 introduce an interest-free loan program available to affected domestic air carriers to assist and
32 encourage them to continue operating and investing in their businesses: *Provided*, That the
33 interest-free loans shall be granted in accordance with the following guidelines and such other
34 conditions as may be imposed under the implementing rules that will be issued by the Department
35 of Finance (DOF) and the BSP:

36 (1) The maximum loanable amount shall be equivalent to Two Billion Pesos
37 (P2,000,000,000.00) per domestic air carrier which shall be payable within a period to be agreed
38 upon by the domestic air carrier and DBP, which period shall not be less than five (5) or not more
39 than ten (10) years.

40 Ten Billion Pesos (Php10,000,000,000.00) shall be appropriated as Special Interest Free
41 Fund for the implementation of this Section. The Fund shall be allocated to the DBP in proportion
42 to the current loan portfolio of the said bank at the time of effectivity of this Act. The DOF and
43 the BSP shall jointly issue implementing rules and regulations and guidelines for this Section,
44 within fifteen (15) days upon the effectivity of this Act.

45 **SEC. 5. Loan Guarantee by Philippine Guarantee Corporation.** - To ensure that domestic
46 air carriers are able to fulfill their loan obligations, whether existing, outstanding, or new loans, to
47 banks, lending, or financing institutions, and to help strengthen their liquidity and financial
48 position towards expediting the country's economic recovery, the Philippine Guarantee
49 Corporation (PGC) shall:

50 a. Issue an expanded government guarantee program for domestic air carriers by increasing
51 the maximum loan guarantee coverage per borrower, including a guarantee program for issuance
52 of corporate bonds by domestic air carriers;

53 b. Ease its current rules and regulations;

54 c. PGC is mandated to implement a loan portfolio guarantee scheme whereby it can
55 guarantee a specified loan portfolio of partner financial institutions which cover eligible loans of
56 air carriers subject to the criteria set under the implementing rules and regulations of this Act.

57 PGC shall implement measures aimed at the digital transformation of its guarantee
58 application and enrollment process and may require assistance from other government financial
59 institutions. It shall coordinate with the DICT, BSP, and solicit assistance from the private sector
60 for the proper implementation of this Section.

61 For the implementation of this Section, the amount of Ten Billion Pesos
62 (Php10,000,000,000.00) is appropriated as PGC's Special Guarantee Fund.

The DOF shall issue the implementing rules and regulations for this Section, within fifteen (15) days from the effectivity of this Act with the end-in-view of achieving the policy objectives of this Act.

SEC. 6. *Regulatory Reliefs for Air Carriers and Passengers.*— The National Government shall pay for the non-tax and non-duty fees and charges, including navigational and airport charges of domestic air carriers charged by the Department of Transportation (DOTr) through the Civil Aviation Authority (CAA), Civil Aeronautics Board (CAB) and Philippine Port Authority (PPA), Manila International Airport Authority (MIAA), Mactan-Cebu International Airport Authority (MCIAA), the Clark International Airport Corporation (CIAC) and all other non-tax and non-duty fees and charges of other regulatory agencies for a period of three (3) years from the effectivity of this Act.

SEC 7. *Treatment of passenger refunds.* — To bolster the tourism industry of the country, domestic air carriers may opt to limit refunds of affected passengers and convert them into vouchers for future travel plans of passengers.

The Department of Budget and Management (DBM) shall acquire the existing liability of domestic air carriers to its passengers with regard to the refund of eligible unused tickets which remain outstanding as of the effectivity of this Act. The acquired refunded tickets shall then be appropriated by the national government for use of government personnel for official travel giving priority to the use by the personnel of the Department of Health and Department of Defense, including the Armed Forces of the Philippines and Philippine National Police.

SEC 8. *Temporary relief from imposition of excise taxes on fuel.* – The Department of Finance is hereby enjoined to issue a temporary relief from payment of excise taxes on purchases of fuel by Philippine air carriers for a period of two (2) years from Effectivity of this Act.

SEC. 9. *Rapid Testing.* — In order to arrest the spread of COVID-19, airport authorities are directed to facilitate rapid testing capability on arriving and departing passengers within their respective jurisdictions, under the direct control and supervision of competent DOH personnel. The amount of Ten billion pesos (P10,000,000,000.00) is hereby allocated for this purpose.

SEC. 10. *Appropriations and Standby Fund.* – The following amounts, or so much thereof as may be necessary, are hereby appropriated and shall be used to support operations and response measure to address and mitigate the impact of COVID-19 pandemic to the aviation sector:

Item	<u>Amount</u>
Interest-free loans from DBP	10,000,000,000.00
PGC Special Guarantee Fund	10,000,000,000.00

For regulatory fees	10,000,000,000.00
For rapid testing	10,000,000,000.00
TOTAL	40,000,000,000.00

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95 **SEC. 11. *Implementing Rules and Regulations.*** - The DOTr, DOF, BSP, and DOF in shall
96 promulgate the rules and regulations within thirty (30) days from effectivity of this Act to
97 implement the objectives and provisions of this Act.

98 **SEC. 12. *Separability Clause.*** — If any provision of this Act is declared invalid or
99 unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

100 **SEC. 13. *Repealing Clause.*** — All laws, decrees, orders, rules and regulation, or other
101 issuances or parts thereof inconsistent with the provisions of this Act are hereby revoked, repealed,
102 amended or modified accordingly.

103 **SEC. 14. *Effectivity.*** — This Act shall take effect fifteen (15) days after its complete
104 publication in the Official Gazette or in at least one (1) national newspaper of general circulation.

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106 Approved,