

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS

First Regular Session

House Bill No. 5479



Introduced by REP. FRANCISCO PAOLO P. ORTEGA V

EXPLANATORY NOTE

Air transportation is a vital driver of economic activity and national development. According to a 2024 study by the International Air Transportation Association (IATA), the aviation sector contributed approximately USD 20.3 billion to the Philippines' Gross Domestic Product (GDP) in 2023, representing 4.6% of total GDP and supporting 1.9 million jobs. International tourism alone generates an estimated USD 11.3 billion annually through spending on goods and services provided by local enterprises.¹ These figures underscore the strategic importance of aviation to the country's economic growth and global competitiveness. In 2024, the DOT recorded 5.64 million tourist arrivals in the country.²

Given the significant contributions of aviation to nation building, maintaining and supporting a national flag carrier is critical. A flag carrier not only links the Philippines to the rest of the world, but also by serves as a symbol of national pride and resilience. Flag carriers often pioneer new routes, and maintain service to underserved regions. Their operations directly support tourism, trade, and employment, making them indispensable to the country's economic growth. Accordingly, it is crucial for the country to support and maintain its flag carrier as doing so protects vital networks, strengthens the aviation sector's impact on GDP, and reinforces the country's presence in the global travel and trade.

This bill seeks to renew the legislative franchise of Philippine Airlines, Inc. (PAL), authorizing it to establish, operate, and maintain international and domestic air transport services. In line with this proposed renewal, the provisions of Presidential Decree No.

¹ International Air Transport Association. (2024). The value of air transport to the Philippines. <https://www.iata.org/en/iata-repository/publications/economic-reports/the-value-of-air-transport-to-the-philippines/>.

² PH tourism did 'exceptionally well' with record-high 2024 receipt. (n.d.). Philippine News Agency. <https://www.pna.gov.ph/articles/1240164>.

1590 have been updated to reflect current legislation, ensuring alignment with prevailing regulatory frameworks, industry standards, and government policies.

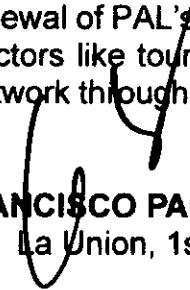
While PAL's franchise under Presidential Decree No. 1590 remains valid until 2034, Congress' support for the early renewal of PAL's legislative franchise is not merely procedural but also reflects a deeper understanding of the airline's role in national development. By renewing its franchise early, Congress ensures that PAL can continue expanding routes, upgrading fleets, and investing in infrastructure without uncertainty, thereby enhancing the country's connectivity. This stability fuels tourism, facilitates trade, and strengthens ties with Overseas Filipino Workers (OFWs) driving inclusive economic growth and reinforcing the Philippines' position as a key player in aviation. Moreover, this Bill also guarantees that PAL ensures its compliance with current legislative frameworks.

Throughout its history, and especially during times of crisis, PAL has demonstrated its commitment to public service. PAL was the only Philippine carrier to keep on flying global routes supporting the nation's fight against the Covid-19 pandemic. Despite severe economic losses brought about by the pandemic, PAL mounted hundreds of repatriation flights for stranded OFWs, facilitated the transport of essential medical supplies, and supported the distribution of life-saving vaccines. These efforts reflect the airline's role not just in commerce, but in humanitarian and national service.

After overcoming the challenges brought by the pandemic, PAL carried more than 14 million passengers as part of its mission to revive both domestic and international travel within and into the Philippines. In 2023, PAL operated over 100,000 flights and served 14.7 million passengers. This grew to 15.6 million passengers in 2024, reflecting a 6% increase from the number of passengers it catered to in 2023.³ Further, PAL's current network is comprised of more than 30 international destinations across Asia, North America, Australia, and more than 30 key destinations throughout the Philippines. These reaffirm PAL's strategic importance as the country's flag carrier.

PAL carries the nation's identity to the rest of the world. Beyond commercial operations, PAL plays a vital role in advancing national interests by maintaining essential air connectivity, supporting tourism and trade, and serving as a trusted partner during crises. Whether repatriating stranded Filipinos or delivering humanitarian aid, PAL acts as a strategic asset that embodies the country's resilience and commitment to its people.

Government support and the renewal of PAL's franchise are essential to maintaining vital air routes, supporting critical sectors like tourism and trade, and securing the country's position in the global aviation network through a stable and modernized aviation industry.


REP. FRANCISCO PAOLO P. ORTEGA V
La Union, 1st District

³ PHILIPPINE AIRLINES SUSTAINS PROFITABILITY, EXCEEDS GLOBAL MARGIN AVERAGE. (n.d.).
<https://www.philippineairlines.com/ph/en/newsevent-listingpage/press-releases-statements/philippine-airlines-sustains-profitability--exceeds-global-margi.html>.

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

House Bill No. **5479**

Introduced by REP. FRANCISCO PAOLO P. ORTEGA V

AN ACT RENEWING FOR ANOTHER FIFTY (50) YEARS THE FRANCHISE GRANTED TO PHILIPPINE AIRLINES, INC. UNDER PRESIDENTIAL DECREE NO. 1590 ENTITLED "AN ACT GRANTING A NEW FRANCHISE TO PHILIPPINE AIRLINES, INC. TO ESTABLISH, OPERATE, AND MAINTAIN AIR-TRANSPORT SERVICES IN THE PHILIPPINES AND OTHER COUNTRIES"

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

Section 1. There is hereby granted to Philippine Airlines, Inc., hereinafter referred to as the grantee, a franchise to establish, operate, and maintain transport services for the carriage of passengers, mail, and property by air in and between any and all points and places throughout the Philippines, and between the Philippines and other countries.

Section 2. Excepting case of force majeure and whenever weather conditions permit, the grantee shall maintain scheduled and/or nonscheduled and/or charter air-transport services in and between any and all points and places throughout the Philippines as well as between the Philippines and other countries at such frequencies as traffic needs may require.

Section 3. The grantee shall fix just and reasonable rates for the transportation of passengers, mail, and freight, subject to the regulations and approval of the Civil Aeronautics Board or such other regulatory agency as the Government may designate for this purpose. Any order of the Civil Aeronautics Board made under this Section shall be subject to review by the courts.

All aircraft used by the grantee and the flight-crew members operating such aircraft shall be licensed by the Government of the Philippines and together with its accessories and equipment shall at all times be in airworthy condition; they shall be equipped with radio communication, safety and other equipment, and shall be operated and maintained in accordance with the regulations and technical requirements of the Civil Aviation Authority of the Philippines or such other regulatory body as the Government may prescribe for this purpose.

The grantee's equipment and the operation of such equipment shall at all times be subject to inspection and regulation by the Civil Aviation Authority of the Philippines whose decisions on technical matters shall be binding until revoked or annulled by superior authority under whose control this office falls or by the courts for excess, or abuse of jurisdiction.

The grantee shall comply with the provisions of Republic Act Numbered Seven Hundred And Seventy-Six, and the regulations promulgated thereunder from time to time.

Section 4. Subject to such terms and conditions as the Philippine Government may prescribe, the grantee may use landing and other airport facilities on land or water as may be maintained or owned by the Government within the Philippines on the grantee's lines, excepting those which in the opinion of said Government may not be used by the grantee because of military or naval considerations, and, reciprocally, the Philippine Government shall have the right to use the landing and other airport facilities on land or water maintained or owned by the grantee in the Philippines.

Section 5. The grantee shall have the right, at its terminals and landing fields as well as in its aircraft, to construct, operate and maintain stations or transmitting sets for wireless telegraphy and direction finding, and other radio aids to air navigation using wave lengths as shall be in accordance with the rules and regulations made from time to time by the Philippine Government; but the wireless communication facilities shall be used solely for receiving and transmitting weather forecasts and messages releasing to the grantee's aircraft and other matters in connection with the grantee's services.

Section 6. The grantee is authorized to enter into transportation contracts with the Philippine Government, including the carrying of mail, upon terms and conditions to be mutually agreed upon. The grantee shall give preferential considerations to contracts with the Philippine Government, and, reciprocally, the latter shall give preferential considerations to contracts with the grantee in the carrying of passengers, mail, and freight.

Section 7. A special right is hereby reserved to the President of the Philippines, in times of war, rebellion, public peril, calamity, emergency, disaster, or disturbance of peace and

order, to temporarily take over and operate the facilities or equipment of the grantee; to temporarily suspend the operation of any facility or equipment in the interest of public safety, security and public welfare; or to authorize the temporary use and operation thereof by any agency of the government, upon due compensation to the grantee, for the use of said facilities or equipment during the period when these shall be so operated.

Section 8. The grantee shall be subject to the laws of the Philippines now existing or hereafter enacted.

Section 9. With the approval of the President of the Philippines, and subject to the limitations and procedure prescribed by law, the grantee shall be authorized to exercise the right of eminent domain as may be reasonably necessary for its stations and other structures in connection with the grantee's activities and operations.

Section 10. It shall be unlawful for the grantee to use, employ, or contract for the labor of persons held in involuntary servitude.

Section 11. The grantee shall hold the national, provincial, and municipal governments of the Philippines harmless from all claims, accounts, demands, or actions arising out of accidents or injuries, whether to property or to persons, caused by the operation of the services under the franchise hereby granted.

Section 12. The grantee, its successors or assignees, shall be liable to pay the corporate income tax, value-added tax, and real property tax, exclusive of this franchise, as may be provided by applicable law.

The tax paid by the grantee shall be in lieu of all other taxes, duties, royalties, registration, license, and other fees and charges of any kind, nature, or description, imposed, levied, established, assessed, or collected by any municipal, city, provincial, or national authority or government agency, now or in the future, including but not limited to the following:

1. All taxes, duties, charges, royalties, or fees due on local purchases by the grantee of aviation gas, fuel, and oil, whether refined or in crude form, and whether such taxes, duties, charges, royalties, or fees are directly due from or imposable upon the purchaser or the seller, producer, manufacturer, or importer of said petroleum products but are billed or passed on the grantee either as part of the price or cost thereof or by mutual agreement or other arrangement; provided, that all such purchases by, sales or deliveries of aviation gas, fuel, and oil to the grantee shall be for exclusive use in its transport and nontransport operations and other activities incidental thereto;

2. All taxes, including compensating taxes, duties, charges, royalties, or fees due on all importations by the grantee of aircraft, engines, equipment, machinery, spare parts, accessories, tools, commissary and catering supplies, aviation gas, fuel, and oil, whether refined or in crude form and other articles, supplies, or materials; provided, that such articles or supplies or materials are imported for the use of the grantee in its transport and nontransport operations and other activities incidental thereto and are not locally available in reasonable quantity, quality, or price;
3. All taxes on lease rentals, interest, fees, acquisition price and other charges payable to lessors or vendors, whether foreign or domestic, of aircraft, engines, equipment, machinery, spare parts, and other property acquired, rented, leased, chartered, or mortgaged by the grantee where the payment of such taxes is assumed by the grantee;
4. All taxes on interest, fees, and other charges on foreign loans obtained and other obligations incurred by the grantee where the payment of such taxes is assumed by the grantee; and
5. All taxes, fees, and other charges on the registration, licensing, acquisition, and transfer of aircraft, equipment, motor vehicles, and all other personal and real property of the grantee

For purposes of computing the basic corporate income tax as provided herein, the grantee is authorized:

- (a) To depreciate its assets to the extent of not more than twice as fast the normal rate of depreciation; and
- (b) To carry over as a deduction from taxable income any net loss incurred in any year up to five years following the year of such loss.

Section 13. The grantee shall pay the basic corporate income tax on a quarterly basis in accordance with the National Internal Revenue Code, as amended. A final or an adjustment return covering the operation of the grantee for the preceding calendar or fiscal year shall be filed on or before the fifteenth day of the fourth month following the close of the calendar or fiscal year. The amount of the income tax to be paid by the grantee shall be the balance of the total income tax shown in the final or adjustment return after deducting therefrom the total quarterly franchise or income taxes already paid during the preceding first three quarters of the same taxable year.

Any excess of the total quarterly payments over the actual annual income tax due as shown in the final or adjustment income-tax return shall either be refunded to the grantee

or credited against the grantee's quarterly franchise or income-tax liability for the succeeding taxable year or years at the option of the grantee.

The term "gross revenues" is herein defined as the total gross income earned by the grantee from; (a) transport, nontransport, and other services; (b) earnings realized from investments in money-market placements, bank deposits, investments in shares of stock and other securities, and other investments; (c) total gains net of total losses realized from the disposition of assets and foreign-exchange transactions; and (d) gross income from other sources.

Section 14. This franchise shall not be interpreted to mean an exclusive grant of the privileges herein provided for. However, in the event that any competing individual, partnership, or corporation shall receive a similar permit or franchise with terms and/or provisions more favorable than those herein granted or which tend to place the grantee herein at any disadvantage, then such term and/or provision shall, ipso facto, become part hereof and shall operate equally in favor of the grantee herein.

Section 15. This franchise is granted with the understanding that it shall be subject to amendment, alteration, or repeal by competent authority when the public interest so requires.

Section 16. The term of this franchise shall be fifty (50) years from the date of the acceptance of this franchise by the grantee.

Section 17. The provisions of existing laws to the contrary notwithstanding, the grantee is hereby authorized, without need of approval by or clearance from any government agency, to hire or employ foreign nationals with special qualification, competence, or experience who are needed by the grantee for the efficiency and improvement of its operations and other business activities; provided, that notice of such employment shall be given by the grantee to all the government agencies concerned and such foreign national shall register with the Commission on Immigration and Deportation within thirty (30) days from the date of such employment.

Section 18. The grantee is hereby authorized to contract loans and credits in any convertible foreign currency and incur indebtedness from time to time from foreign governments, foreign banks, or any foreign or international financial institution or fund sources, or to issue bonds, notes, debentures, and other evidences of indebtedness under such terms and conditions as it shall deem appropriate for the accomplishment of its purpose.

The loans, credits, indebtedness contracted under this Section by the grantee, and the payment of the principal, interest, fees, and other charges thereon shall be exempt from any and all taxes, including withholding tax; provided, that the liability for the payment of such taxes is assumed by the grantee.

Section 19. All payments, rentals, interest, fees, and other charges paid by the grantee to foreign or domestic entities for the sale, purchase, or lease of aircraft, engines, spare parts, other flight or ground equipment, and other personal property shall be exempt from all taxes, including withholding tax; provided, that the liability for the payment of said taxes is assumed by the grantee.

The term "foreign lessor" shall be construed to apply to a foreign entity or alien individual, whether resident or nonresident, which enters into a lease contract with the grantee for the lease of aircraft, engines, spare parts, other flight or ground equipment, and other personal property wherein the rentals, interest, fees, or charges are denominated or payable in foreign currency.

Section 20. The grantee shall not sell, lease, transfer, grant the usufruct of, nor assign this franchise or the rights and privileges acquired thereunder to any person, firm, company, corporation or entity, nor merge with any other corporation or entity, nor shall the controlling interest of the grantee be transferred, whether as a whole or in part, and whether simultaneously or contemporaneously, to any such person, firm, company, corporation or entity without the prior approval of the Congress of the Philippines, except when the transfer is done: (a) through a stock exchange transaction; (b) for purposes of qualifying persons for election to the board; (c) to a corporation that is controlled by the same stockholders as that of the grantee; (d) to person, firm, company, corporation or entity with a valid and existing legislative franchise for air transport services; or (e) where the grantee is the surviving corporation: *Provided*, That the foregoing limitations shall not apply to: (1) any transfer or sale of shares of stock to a foreign investor or investors; (2) any issuance of shares to a foreign or local investor pursuant to or in connection with any increase in the grantee's authorized capital stock which results in the dilution of the stockholdings of the grantee's then existing stockholders; or (3) any combination thereof where such transfer, sale or issuance is effected in order to enable the grantee to raise the necessary capital or financing for the provision of the services for which the grantee has been incorporated or organized: *Provided, further*, That any such transfer, sale or issuance is in accordance with any applicable constitutional provision. Any person or entity to which this franchise is validly sold, transferred or assigned shall be subject to all the same conditions, terms, restrictions and limitations of this Act.

Section 21. If any section or provision of this franchise, as amended, is held or declared unconstitutional or invalid by a competent court in a final judgment, and the other sections or provisions hereof shall continue to be in force as if the section or provision so annulled or voided had never been incorporated in this franchise.

Section 22. This franchise, as amended, or any section or provision hereof may only be modified, amended, or repealed expressly by a special law or decree that shall specifically modify, amend, or repeal this franchise or any section or provision thereof.

Section 23. All laws, decrees, orders, instructions, and rules and regulations or parts thereof which are inconsistent herewith are hereby repealed or modified accordingly.

Section 24. This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,