

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila
TWENTIETH CONGRESS
First Regular Session
HOUSE BILL NO. 6422



Introduced by **REP. RACHEL MARGUERITE "CUTIE" DEL MAR** and
REP. ALFREDO D. MARAÑON III

EXPLANATORY NOTE

Republic Act No. 7151, approved on August 30, 1991, granted Cebu Air, Inc. a legislative franchise to operate domestic and international air transport services. Cebu Air, Inc., known commercially as *Cebu Pacific*, has grown from a modest domestic operator into the country's largest low-cost carrier, expanding its network nationwide and to key international destinations while providing affordable air travel to millions of Filipinos.

In 2024, Cebu Air, Inc. carried 24.5 million passengers, a 17.6% increase over the 20.9 million carried in 2023. The bulk of the volume was accounted for by domestic passengers, which grew by 15.5% to 18.5 million. International passengers, meanwhile, rose by 24.6% to 6 million.

Cebu Air, Inc. continues to play a major role in tourism, job creation, and economic growth. Its extensive route network connects major and secondary destinations, driving local tourism and regional development, while supporting thousands of direct employees and generating substantial indirect employment across aviation, logistics, hospitality, and related sectors. As of December 31, 2024, Cebu Air, Inc. employed 6,120 personnel.

In its 2024 regulatory filing, Cebu Air, Inc. reported total revenues of ₱98.19 billion, up 15.4 percent from the previous year. Passenger revenues reached ₱65.15 billion, cargo operations contributed ₱5.54 billion, and ancillary revenue totaled ₱27.51 billion. These figures translate into substantial fiscal contributions through taxes, fees, and regulatory charges, reinforcing Cebu Air's position as a major taxpayer and a key partner in supporting national economic growth.

Renewing the franchise of Cebu Air, Inc. is essential to sustaining a principal Philippine carrier that enhances domestic mobility, supports tourism and trade, expands employment opportunities, and contributes meaningfully to the national economy.

In light of the continued public demand for affordable air transport and the vital role of air connectivity in national development, approval of this measure is earnestly sought.



HON. RACHEL MARGUERITE B. DEL MAR
1st District, Cebu City



HON. ALFREDO D. MARAÑON III
Negros Occidental, 2nd District

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AN ACT
RENEWING THE FRANCHISE GRANTED TO CEBU AIR, INC., UNDER
REPUBLIC ACT NO. 7151 ENTITLED, "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:

SECTION 1. Nature and Scope of the Franchise. – Subject to the provisions of the Constitution and applicable laws, rules and regulations, there is hereby granted to Cebu Air, Inc., hereunder referred to as the grantee, its successors or assigns, 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.

Air transport services shall include the maintenance and operation of hangars and aircraft service stations and facilities and other services of similar nature which may be necessary, convenient or useful as an auxiliary to aircraft transportation.

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 findings, and other radio aids to air navigation, using wavelengths in accordance with the rules and regulations made from time to time by the proper agencies of the Government. The wireless communication facilities shall be used solely for receiving and transmitting weather forecasts and other matters in connection with the grantee's services.

SEC. 2. Civil Aeronautics Board. – The grantee shall secure from the Civil Aeronautics Board the appropriate permits and licenses for its operations.

All aircraft used by the grantee including their accessories and equipment shall at all times be airworthy and the crew members shall be licensed by the Government of the Philippines. 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 Air Transportation Office or such other regulatory bodies 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 Air Transportation Office.

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.

SEC. 3. Responsibility to the Public. – Excepting cases of *force majeure* and whenever weather conditions permit, the grantee shall maintain scheduled and/or non-scheduled and/or charter air transport services between any and all points and places throughout the Philippines and other countries at such frequencies as traffic needs may require with Cebu as its base: *Provided, however,* That at least twenty-five percent (25%) of all its frequencies shall be for the domestic market.

SEC. 4. Rates for Services. – The grantee shall fix just and reasonable rates for the transportation of passengers, mail, goods and freight, subject to the regulations and approval of the Civil Aeronautics Board and other proper regulatory agencies of the Government.

SEC. 5. Term of Franchise. – The term of the franchise granted under Republic Act No. 7151 is hereby renewed for another forty (40) years from the date of its expiration. In the event that the grantee fails to operate within two (2) years from the effectivity of this Act, this franchise shall be deemed *ipso facto* revoked.

SEC. 6. Landing Facilities. – The grantee may use the landing and other airport facilities on land and water as may be maintained or owned by the Government within the Philippines on the grantee's lines subject to such terms and conditions, restrictions and national policy considerations as the Philippine Government may prescribe and, reciprocally, the Philippine Government shall have the right to use the landing and other airport facilities as may be maintained or owned by the grantee in the Philippines.

SEC. 7. Contracts. – The grantee is authorized to enter into transportation contracts with the Philippine Government, including the carrying of mail, upon such terms and conditions as may be mutually agreed upon. The grantee shall give preferential consideration to contracts with the Philippine Government. The grantee may likewise enter into transportation maintenance and /or servicing contracts, and such other contracts relating to air transport with other foreign-owned airlines particularly with those which have international routes.

SEC. 8. Right of Government. – In case of war, insurrection, domestic trouble, public calamity or national emergency, the Philippine Government, upon the order of the President, shall have the right to take over and operate the equipment of the grantee paying for its use or damages.

SEC. 9. Public Equity Participation. – In compliance with the constitutional mandate to democratize ownership of public utilities, the herein grantee shall make public offering through the stock exchanges of at least thirty percent (30%) of its common stocks within a period of ten (10) years from the date of effectivity of this Act: *Provided*, That no single person or entity shall be allowed to own more than five percent (5%) of the stock offerings.

SEC. 10. Warranty in Favor of National and Local Governments.
– 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, attributable solely to the act or omission of the grantee.

SEC. 11. Tax Provisions. – The grantee shall pay to the Philippine Government during the life of this franchise a franchise tax of five percent (5%) of the gross revenues derived by the grantee from transport operations.

In the event that any competing individual, partnership or corporation receives and 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.

SEC. 12. Sale, Lease, Transfer, Assignment, Usufruct, etc. – The grantee shall not lease, transfer, grant the usufruct of, sell or assign this franchise and the rights and privileges acquired thereunder to any person, firm, company, corporation, or legal entity, nor shall the controlling interest

in the grantee be transferred to any such private person, firm, company, corporation or entity without the prior approval of Congress.

Any person or entity to which this franchise is sold, transferred, or assigned shall be subject to all the conditions, terms, restrictions, and limitations of this Act.

SEC. 13. *Legislative Amendments.* – This franchise is subject to amendments or repeal by Congress when the common good so requires.

SEC. 14. *Separability Clause.* – 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, 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.

SEC. 15. *Repealing Clause.* – All laws, decrees, orders, instructions, and rules and regulations, or parts thereof, which are inconsistent herewith are hereby repealed or modified accordingly.

SEC. 16. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in at least two (2) national newspapers of general circulation.

Approved.