



HOUSE OF REPRESENTATIVES

*Introduced by Representative Rufus B. Rodriguez and
Representative Maximo B. Rodriguez, Jr.*

House Bill No. **6442**

EXPLANATORY NOTE

In the 2024 Oxford Economics report, it found that the total economic impact of aviation in the Philippines contributed 4.6% of the gross domestic product (GDP) of the country. 76,100 people are directly employed in aviation, generating USD 3.3 billion of economic output equal to 0.8% of the total GDP¹.

Tourism supported by aviation contributes USD 11.0 billion to the country's GDP and employs 1.3 million people².

Aviation creates a range of social benefits and contributes significantly to the economy of the Philippines. It enhances education, facilitates cultural exchange, and drives socio-economic development. Acting together, these forces enable a country to expand its productive potential, delivering long-term economic growth and supporting the reduction in poverty and improvement in living standards for all of the nation's citizens.

Philippines AirAsia Inc. doing business as AirAsia Philippines (AirAsia) has played a transformative role in the Philippine aviation industry.

On January 9, 2003, Asian Spirit, Inc. was granted a franchise under Republic Act No. 9183 entitled "An Act Granting the Asian Spirit, Inc. a franchise to Establish, Operate and Maintain Domestic and International Air Transport Services". In 2008, Zest Airways bought the controlling interest in Asian Spirit, Inc. Subsequently, Zest Airways, in its pursuit to improve its domestic and international transport services to better serve the public, accepted the offer of AirAsia, Inc. to acquire interests in its capital holdings.

AirAsia, Inc. is engaged principally in the business of providing and operating transport services for the carriage of passengers, mails, goods, and property by air, both domestic and international.

In compliance with Section 12 of Republic Act No. 9183, which requires the grantee of the franchise to seek approval from Congress before any transfer of the controlling interest to any person, firm, company, corporation or entity, Joint Resolution No. 04 of the Sixteenth (16th) Congress was adopted to approve the transfer, sale, or assignment of the controlling interest in the capital stock of Zest Airways, Inc. to Air Asia, Inc.

AirAsia, through its game-changing approach has enriched the lives of millions of Filipinos since it operated in 2012, by offering safe, accessible and affordable air travel. To date, it serves the underserved communities in Manila, Cebu, Clark, Iloilo, Bacolod, Tacloban, Kalibo, Cagayan De Oro and has significantly contributed to the economic growth of tourism destinations in Caticlan (Boracay), Bohol, and Puerto Princesa. From bustling city centers to

¹<https://www.iata.org/en/iata-repository/publications/economic-reports/the-value-of-air-transport-to-the-philippines/>

² <https://aviationbenefits.org/downloads/aviation-benefits-beyond-borders-2024/>

far-flung island communities, it has opened new horizons for commerce, tourism, and family connections, driving the country's inclusive growth and regional development.

AirAsia has likewise proven its capability to develop the Philippines' global connectivity and the appetite for domestic and regional tourism by launching flights to: South Korea, Japan, Malaysia, Hongkong, Taiwan, and Thailand.

More than just an airline, AirAsia has become an engine of economic activity. By providing reliable domestic and international air transport services, it has generated thousands of direct and indirect jobs for Filipino workers, namely pilots, cabin crew, ground staff, aircraft mechanics, ramp agents and tourism operators, among others, across the archipelago. Its operations have also supported countless small businesses that rely on air connectivity to thrive.

AirAsia's corporate commitment extends beyond the tarmac. The airline has consistently championed investments in local talent, skills development, and environmental sustainability, aligning itself with the broader aspirations of nation building. In times of national emergencies, AirAsia has likewise proven to be a dependable partner, providing vital logistical support in disaster relief operations and facilitating the movement of goods and essential services when they are most needed.

During the onslaught of Typhoon Yolanda (Haiyan)³, AirAsia was one of the first commercial airlines that responded to the needs of those impacted by the calamity. It allocated free 250,000 seats for victims and their loved ones in search of missing family members. Through the AirAsia Foundation, AirAsia was able to raise close to one hundred million pesos that was used to build homes in Tacloban and Kalibo.

At the height of the pandemic, AirAsia was a staunch partner of the Overseas Workers Welfare Administration (OWWA)⁴ in mounting mercy flights to ferry stranded Filipinos across Asia⁵ back to their respective hometowns in the various provinces.

Though not yet part of its route network, AirAsia being the 1st airlift wing reserve of the Philippine Air Force⁶ mounted relief operations in 2020 in typhoons Ulysses, Rolly and Quinta⁷ hit areas in Virac, Catanduanes and Tuguegarao, Cagayan respectively through its #AlwaysREADY corporate social responsibility initiatives, bringing relief goods and solar-powered lamps to areas without food and electricity.

Not only has AirAsia played a vital role in community-building efforts, it also facilitated life-changing medical surgeries⁸, giving renewed hope to almost one hundred children beneficiaries with cleft lip and palate⁹ with its partner, Operation Smile Philippines¹⁰.

³ Dumlao, D. C. (2014, May 25). AirAsia raises P97M for Yolanda victims. The Philippine Star. <https://www.philstar.com/business/2014/05/25/1326890/airasia-raises-p97m-yolanda-victims>

⁴ AirAsia Newsroom. (2021, August 11). AirAsia Philippines strengthens chartered repatriation flights. <https://newsroom.airasia.com/news/2021/8/11/airasia-philippines-strengthens-chartered-repatriation-flights#gsc.tab=0>

⁵ AirAsia Newsroom. (2021, August 17). AirAsia Philippines supports recovery of Asian economy through special chartered flights for Pinoy seafarers. <https://newsroom.airasia.com/news/2021/8/17/airasia-philippines-supports-recovery-of-asian-economy-through-special-chartered-flights-for-pinoy-seafarers#gsc.tab=0>

⁶ AirAsia Newsroom. (2021, October 14). AirAsia Philippines hailed best reservist unit by the Philippine Air Force. <https://newsroom.airasia.com/news/2021/10/14/airasia-philippines-hailed-best-reservist-unit-by-the-philippine-air-force#gsc.tab=0>

⁷ AirAsia Newsroom. (2020, December 8). AirAsia brings Star of Hope, mounts mercy flight to typhoon-stricken Catanduanes. <https://newsroom.airasia.com/stories/2020/12/8/airasia-brings-star-of-hope-mounts-mercy-flight-to-typhoon-stricken-catanduanes#gsc.tab=0>

⁸ AirAsia Newsroom. (2022, February 26). AirAsia Philippines recognized as outstanding institutional partner by Operation Smile Philippines. <https://newsroom.airasia.com/news/2022/2/26/airasia-philippines-recognized-as-outstanding-institutional-partner-by-operation-smile-philippines#gsc.tab=0>

⁹ Operation Smile Philippines. (n.d.). AirAsia Philippines, Operation Smile Philippines forge partnership to help children with cleft. <https://operationsmile.org.ph/airasia-philippines-operation-smile-philippines-forge-partnership-to-help-children-with-cleft/>

¹⁰ AirAsia Newsroom. (2023, February 16). AirAsia Philippines to support more children with cleft lip and cleft palate with

The renewal of AirAsia's legislative franchise for fifty (50) years is not merely a matter of corporate continuity; it is an affirmation of the vital role that responsible air transport plays in our shared journey of progress. This measure ensures that AirAsia's contributions to the country's economic and social development will continue, providing vital connectivity and uplifting communities for generations to come.

AirAsia has significantly reshaped the aviation landscape in the Philippines since its entry, bringing several benefits that include economic growth, increased accessibility to air travel, and innovative pricing strategies. As a low-cost carrier (LCC), its presence has fostered greater competition, making air travel more affordable. By doing this, it has opened up new opportunities for tourism and local development.

AirAsia's most significant impact in the Philippines is its role in democratizing air travel by driving down prices. As a low-cost carrier, AirAsia operates on a "no-frills" model designed to reduce operating costs, which allows it to offer significantly lower fares compared to traditional carriers. It is also renowned for its aggressive and frequent seat sales such as the "PISO sales" and other "double digit promos." These efforts have brought down the fares and encouraged other airlines to do the same. The presence of AirAsia has intensified competition in the Philippine aviation market. This heightened competition has driven all airlines, including full-service carriers, to offer more competitive fares, benefiting consumers across the board. With these initiatives, AirAsia has provided opportunities for Filipino travelers to explore local destinations and for Overseas Filipino Workers (OFWs) to have cheaper airfares, allowing them to maximize their savings.

By making air travel more accessible and affordable, AirAsia has been instrumental in boosting tourist arrivals, both domestic and international. The influx of tourists directly increases revenue for the tourism sector, including hotels, resorts, tour operators, and local businesses in various destinations. In a study by the University of the Philippines, regions served by LCCs have reported notable increases in tourist arrivals and tourism revenue¹¹.

AirAsia seeks to further promote the Philippines domestically and internationally to support the economy and the tourism industry. AirAsia's air network, essential services, and contribution to the economy are valuable to the country.

In view of the foregoing, immediate approval of this measure is earnestly requested.


RUFUS B. RODRIGUEZ


MAXIMO B. RODRIGUEZ, JR.

renewed partnership with Operation Smile Philippines.
<https://newsroom.airasia.com/news/2023/2/16/airasia-philippines-to-support-more-children-with-cleft-lip-and-cleft-palate-with-renewed-partnership-with-operation-smile-philippines#gsc.tab=0>

¹¹ Fabian A. Tourism Development and the Role of Low-Cost Carriers in the Philippines. University of the Philippines; 2018

TWENTIETH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

HOUSE OF REPRESENTATIVES

*Introduced by Representative Rufus B. Rodriguez and
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House Bill No. **6442**

AN ACT

RENEWING FOR FIFTY (50) YEARS THE LEGISLATIVE FRANCHISE GRANTED UNDER REPUBLIC ACT NO. 9183 ENTITLED “AN ACT GRANTING THE ASIAN SPIRIT, INC. A FRANCHISE TO ESTABLISH, OPERATE AND MAINTAIN DOMESTIC AND INTERNATIONAL AIR TRANSPORT SERVICES” ASSIGNED AND TRANSFERRED WITH CONGRESSIONAL APPROVAL TO PHILIPPINES AIR ASIA, INC.

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

SECTION 1. *Nature and Scope of Franchise.* – Subject to the provisions of the Constitution and applicable laws, rules and regulations, the franchise granted to ASIAN SPIRIT, INC. which was assigned with Congressional approval to Zest Airways, Inc. and later to AIR ASIA, INC., doing business under the name and style of Philippines Air Asia or Pilipinas Air Asia, its successors or assignees, (hereunder referred to as the Grantee), under Republic Act No. 9183, as amended by Republic Act No. 9215, to establish, operate and maintain transport services for the carriage of passengers, mails, goods, and property by air, both domestic and international, is hereby renewed for fifty (50) years.

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 terminal 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.

SECTION 2. *Authority of the Civil Aeronautics Board and Civil Aviation Authority of the Philippines.* – The Grantee shall secure from the Civil Aeronautics Board (CAB) and from the Civil Aviation Authority of the Philippines (CAAP) the appropriate certificates, 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 communications, safety and other equipment, and shall be operated and maintained in accordance with the regulations and technical requirements of the CAAP or such other regulatory bodies 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 CAAP. The Grantee shall comply with the provisions of Republic Act No. 776, otherwise known as “The Civil Aeronautics Act of the Philippines”, and the regulations promulgated thereunder from time to time.

SECTION 3. *Responsibility to the Public.* – Except in cases of *force majeure* and whenever weather conditions permit, the Grantee shall maintain scheduled or nonscheduled or chartered air transport services to any and all points and places throughout the Philippines and between the Philippines and other countries at such frequencies as traffic needs may require: *Provided*, That at least twenty-five percent (25%) of all its frequencies shall be for domestic market.

SECTION 4. *Rates for Services.* – The Grantee shall fix just and reasonable rates for the transportation of passengers, mails, goods, and freight, subject to the regulations and approval of the CAB and other proper regulatory agencies of the government.

SECTION 5. *Term of Franchise.* – This franchise shall be in effect for a period of fifty (50) years from the effectivity of this Act, unless sooner revoked or cancelled. This franchise shall be deemed *ipso facto* revoked in the event the Grantee fails to operate continuously for two (2) years.

SECTION 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 line subject to national policy considerations and such terms and conditions or restrictions as the Government of the Philippines may impose: *Provided*, That the Government of the Philippines shall have the right to use the landing and other airport facilities as may be maintained or owned by the Grantee in the Philippines.

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

SECTION 8. *Rights of the Government.* – 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 9. *Warranty in Favor of the National and Local Governments.* – The Grantee shall hold the national, provincial, city, and municipal governments of the Philippines free from all claims, liabilities, demands, or actions arising out of accidents causing injury to persons or damage to property during the operation of the services under the franchise.

SECTION 10. *Commitment to Provide and Promote the Creation of Employment Opportunities.* – The Grantee shall create employment opportunities and accept on-the-job trainees in its franchise operations: *Provided*, That priority shall be accorded to the residents of the place where the principal office of the Grantee is located: *Provided, further*, That the grantee shall comply with the applicable labor standards and allowance entitlement under existing labor laws, rules and regulations and similar issuances.

SECTION 11. *Sale, Lease, Transfer, Grant of Usufruct, or Assignment of Franchise.* – 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 other commercial or legal entity, nor merge with any corporation or entity, nor shall the controlling

interest of the Grantee be transferred, simultaneously or contemporaneously, to any person, firm, company, corporation, or entity without the prior approval of the Congress. The Grantee shall inform the Congress, through the Office of the Speaker of the House of Representatives and the Office of the Senate President, of any sale, lease, transfer, grant of usufruct, or assignment of franchise or the rights and privileges acquired thereunder, or of the merger or transfer of the controlling interest of the Grantee, within sixty (60) days after the completion of the said transaction. Failure to report to Congress such change of ownership shall render the franchise *ipso facto* revoked. Any person or entity to which this franchise is sold, transferred, or assigned shall be subject to the same conditions, terms, restrictions, and limitations of this Act.

SECTION 12. *Corporate Income Tax in lieu of Other Taxes and Fees and Future Taxes.* – The Grantee shall pay to the Philippine Government during the life of this franchise the basic corporate income tax based on the Grantee's annual net taxable income computed in accordance with the provisions of the National Internal Revenue Code. The franchise tax of two per cent (2%) of the gross revenue derived from all sources was hereby repealed pursuant to Section 22 of Republic Act No 9337 where the Grantee shall register for Value-added Tax under Section 236, and to account under Title IV of the National Internal Revenue Code of 1997, as amended, for Value-added Tax on its sale of goods, property or services and its lease of property; and

The tax paid by the Grantee under the above tax imposition 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 non-transport 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, commissary and catering supplies, aviation gas, fuel, and oil, whether refined or in crude form and other articles, supplies, or materials; including excise tax on tobacco and alcohol, provided, that (1) the corporate income tax for the period has been paid, (2) such articles or supplies or materials are imported for the use of the Grantee in its transport and transport operations and other activities incidental thereto, and (3) are not locally available in reasonable quantity, quality, or price;
3. All taxes on lease rentals, interest, fees, and other charges payable to lessors, whether foreign or domestic, of aircraft, engines, equipment, machinery, spare parts, and other property rented, leased, or chartered 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;
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; and
6. The corporate development tax under Presidential Decree No. 1158-A.
7. The Grantee, shall, however, pay the tax on its real property in conformity with existing law.
8. 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. *Payment of Corporate Income Tax.* – The Grantee shall pay the basic corporate income tax on quarterly basis to the Bureau of Internal Revenue. Within sixty (60) days after the end of each of the first three quarters of the taxable calendar or fiscal year, the quarterly income-tax return shall be filed and payment of either the franchise or income tax shall be made by the Grantee.

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 fiscal 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 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 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, non-transport, 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. *Exemption from Taxes, Duties, Royalties, and Other Fees.* – The Grantee shall otherwise remain exempt from any taxes, duties, royalties, registration, license, and other fees and charges, as may be provided by their existing franchise, and for future tax impositions that will be in addition to their current obligations to pay taxes as of the time of the grant of this renewal of franchise.

SECTION 15. *Exemption from VAT on Importation of Fuel, Goods, and Supplies.* – Pursuant to Section 7 of R.A. 9337, which amended Section 109 of the National Internal Revenue Code (NIRC), importation of fuel, goods and supplies by the Grantee which is a juridical person engaged in air transport operations, shall be exempt from Value-added Tax.

SECTION 16. *Reportorial Requirement.* – The Grantee shall submit an annual report on its compliance with the terms and conditions of the franchise and on its operation to the Congress of the Philippines, through the Committee on Legislative Franchise of the House of Representatives and the Committee on Public Services of the Senate, on or before April 30 of every year during the term of its franchise.

The annual report shall include an update on the commencement of activities, development, operation and expansion of business; audited financial statements; latest GIS officially submitted to the SEC, if applicable; certification of the CAB and CAAP on the status of its permits and operations; and an update on the dispersal of ownership undertaking, if applicable.

The reportorial compliance certificate issued by Congress shall be required before any application for permit or certificate is accepted by the CAB and CAAP.

SECTION 17. *Fine.* – Failure of the grantee to submit the requisite annual report to Congress shall be penalized by a fine of Five Hundred Pesos (Php 500.00) per working day of noncompliance. The fine shall be collected separately from the reportorial penalties imposed

by the CAB and the same shall be remitted to the Bureau of the Treasury.

SECTION 18. *Digital Services and Processes* – The Grantee shall have the authority to develop, maintain, operate, and integrate digital platforms and emerging technologies necessary or incidental to the delivery of its services. These include, but are not limited to, digital ticketing or boarding pass systems, biometric verification systems including facial recognition, mobile applications, artificial intelligence, machine learning tools, blockchain-based platforms, financial technologies and other digital innovations that enhance passenger experience, operational efficiency, safety, and security.

SECTION 19. *Offsetting Obligations*. – The provisions of existing laws to the contrary notwithstanding, the Department of Budget and Management and/or the Bureau of the Treasury are hereby authorized to offset any outstanding obligation of the Grantee to any agency or instrumentality of the Government with any receivable of the Grantee from any agency or instrumentality of the Government.

SECTION 20. *Equality Clause*. – In the event that any competing individual, partnership or corporation receives or enjoys or shall receive similar permit or franchise with terms, provisions, immunity, exemptions, or privileges more favorable than those herein granted or which tend to place the herein Grantee at any disadvantage, then such terms, provisions, immunity, exemptions, or privileges shall be deemed ipso facto part hereof, immediately and unconditionally and shall operate equally in favor of the Grantee.

SECTION 21. *Repeals and Non Exclusivity Clause*. – This franchise shall be subject to amendment, alteration, or repeal by the Congress when the public interest so requires and shall not be interpreted as an exclusive or perpetual grant of the privileges herein provided for.

SECTION 22. *Separability Clause*. – If any of the sections or provisions of this Act is held invalid, all other provisions not affected thereby shall remain valid.

SECTION 23. *Repealing Clause*. – All laws, decrees, orders, resolutions, instructions, rules and regulations, and other issuances or parts thereof which are inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 24. *Modification*. – 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 25. *Effectivity*. – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,