

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Twentieth Congress
First Regular Session



House Bill No. 6546

Introduced by REP. RAYMOND ADRIAN E. SALCEDA

AN ACT
RENEWING FOR FIFTY (50) YEARS THE FRANCHISE GRANTED TO SOUTHEAST
ASIAN AIRLINES (SEAir), INC. NOW CEBGO INC., DOING BUSINESS UNDER
NAME AND STYLE OF CEBGO AND AIRSWIFT, UNDER REPUBLIC ACT NO. 9517,
ENTITLED "AN ACT GRANTING SOUTHEAST ASIAN AIRLINES (SEAir), INC. A
FRANCHISE TO ESTABLISH, OPERATE AND MAINTAIN DOMESTIC AND
INTERNATIONAL AIR TRANSPORT SERVICES, WITH CLARKFIELD, PAMPANGA
AS ITS BASE"

EXPLANATORY NOTE

Cebgo Inc. (Cebgo), formerly Southeast Asian Airlines (SEAir), Inc., is a regional airline that provides vital air transport services connecting various destinations across the Philippine archipelago. Operating under a franchise originally granted through Republic Act No. 9517, Cebgo has served as an important link for inter-island travel, particularly for routes that are not easily accessible by larger aircraft.

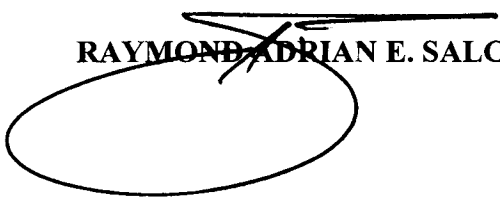
Cebgo is one of the airline service providers operating in Albay, offering connectivity between the Bicol Region and other key destinations in the country. The airline's operations in the province have contributed to the movement of passengers, goods, and services, supporting local economic activity and tourism in the region.

The renewal of Cebgo's legislative franchise for another fifty (50) years presents a valuable opportunity not only to ensure the continuity of these air transport services but also to require meaningful improvements in the quality and reliability of service provided to the traveling public.

As the government grants the privilege of operating a franchise, it is only fitting that the grantee be held to higher standards of passenger welfare, operational efficiency, route development, and overall service delivery.

This measure seeks to renew the franchise while reinforcing the expectation that Cebgo will continuously enhance its services, expand connectivity to underserved areas, and uphold its responsibilities to the communities it serves.

In view of the foregoing, the approval of this measure is urgently sought.


RAYMOND ADRIAN E. SALCEDA

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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 SOUTHEAST ASIAN AIRLINES (SEAir), INC., now CEBGO INC., doing business under name and style of Cebgo and Airswift, hereunder referred to as the Grantee, its successors or assignees, under Republic Act No. 9517, 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, including any new aviation technology, facility, or service heretofore to be developed.

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.

Sec. 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 Numbered Seven Hundred 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 or non-scheduled 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.

Sec. 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.

Sec. 5. Term of Franchise. -- This franchise shall be in effect for a period of fifty (50) years from the date of the approval of this Act.

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 Government of the Philippines. 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. Rights of the 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. Warranty in Favor of the 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. 10. *Tax Provisions.* -- 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 under this Section 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 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, scrap, accessories, tools, commissary and catering supplies, whether new or used, aviation gas, fuel, and oil, whether refined or in crude form and other articles, supplies, or materials and/or export of the aforementioned articles or supplies or materials in connection with repairs or similar activities; provided, that such articles or supplies or materials are imported or exported for the use of the Grantee in its transport and non-transport operations and other activities incidental thereto;
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 are assumed by the Grantee;
4. All taxes on interest, fees, and 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, engines, equipment, motor vehicles, and all other personal and real property of the Grantee; and For purposes of computing the basic corporate income tax under this Section, the Grantee is authorized: (a) To depreciate its assets at a rate not more than twice 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 (5) years following the year of such loss.
6. All taxes, including withholding taxes, on 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, whether new or used, provided that the liability for the payment of said taxes is assumed by the Grantee. For purposes of the immediately preceding paragraph, the term "foreign entity" shall refer to any foreign corporation or alien individual, whether resident or non-resident, that enters into a sale, purchase, or lease contract with the Grantee where

the purchase price, rentals, interest, fees, or charges are denominated or payable in foreign currency.

Sec. 11. *Filing and Payment of Income Tax.* -- 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 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.

Sec. 12. *Sale, Lease, Transfer, Grant of Usufruct, or Assignment of Franchise.* -- The Grantee shall not lease, transfer, grant the usufruct of, sell or assign this franchise and the rights and privileges acquired hereunder to any person, firm, company, corporation or legal entity, nor shall the controlling interest of the Grantee be transferred to any person, firm, company, corporation, or entity without the prior approval of the Congress, 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 sold, transferred, or assigned shall be subject to the same conditions, terms, restrictions, and limitations of this Act.

Sec. 13. *Interpretation of Franchise.* -- This franchise shall not be interpreted to mean as an exclusive grant of the privileges herein provided for. In the event that any competing individual, partnership or corporation receives a similar permit or franchise with terms and/or provisions more favorable than those herein granted or which tend to place the herein Grantee at any disadvantage, then such terms and/or provisions shall be deemed *ipso facto* part hereof and shall operate equally in favor of the herein Grantee.

No rule, regulation, administrative issuance, or similar directive of a department, bureau, office, agency, or instrumentality of the Government shall modify, limit, restrict, or impose additional conditions on the enjoyment, exercise, or implementation of the rights and incentives

granted under this franchise, unless expressly authorized by a law enacted by Congress for such purpose.

Sec. 14. *Legislative Amendment.* -- This franchise shall be subject to amendments or repeal by the Congress when the public interest so requires.

Sec. 15. *Separability Clause.* -- If any section or provision of this franchise 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. 16. *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. 17. *Effectivity.* -- This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,