



HOUSE OF REPRESENTATIVES

H. No. 11536

BY REPRESENTATIVES RODRIGUEZ (R.), RODRIGUEZ (M.), DEL MAR, MARAÑON, SALCEDA, FERRER (J.),
OUANO-DIZON, REGENCIA, LAGDAMEO (J.M.), SANTOS (M.A.), BELTRAN, FERRER (A.),
ATAYDE, ONGCHUAN, GONZALES (R.), ACOSTA, GONZALES (A.M.), DE JESUS, DAGOOC, ALBA,
BULUT-BEGTANG, DIMAPORO (I.) AND FRASCO

AN ACT

**RENEWING FOR ANOTHER FIFTY (50) YEARS THE FRANCHISE GRANTED TO
CEBU AIR, INC., DOING BUSINESS UNDER THE NAME AND STYLE OF CEBU
PACIFIC, 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:*

1 **SECTION 1. *Nature and Scope of the Franchise.*** – Subject to the provisions of the
2 Constitution and applicable laws, rules and regulations, there is hereby granted to
3 Cebu Air, Inc., doing business under the name and style of Cebu Pacific, hereinafter
4 referred to as the Grantee, a franchise to establish, operate, and maintain transport
5 services for the carriage of passengers, mail, goods, and property by air in and
6 between any and all points and places throughout the Philippines, and between the
7 Philippines and other countries.

8 **SEC. 2. *Responsibility to the Public.*** – Except in case of force majeure and whenever
9 weather conditions permit, the Grantee shall maintain scheduled and/or nonscheduled
10 and/or charter air-transport services in and between any and all points and places
11 throughout the Philippines as well as between the Philippines and other countries at
12 such frequencies as traffic needs may require.

13 **SEC. 3. *Rates for Services and Regulatory Compliance.*** – The Grantee shall fix just
14 and reasonable rates for the transportation of passengers, mail, and property, subject
15 to the regulations and approval of the Civil Aeronautics Board (CAB) or such other
16 regulatory agency as the Government may designate for this purpose. Any order of the
17 CAB made under this Section shall be subject to review upon filing of an appropriate
18 case before the courts.

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

8 The Grantee's equipment and the operation of such equipment shall at all times be
9 subject to inspection and regulation by the CAAP whose decisions on technical matters
10 shall be binding until revoked or annulled by superior authority under whose control
11 this office falls or by the courts for grave abuse of discretion amounting to lack or
12 excess of jurisdiction.

13 The Grantee shall comply with the provisions of Republic Act No. 776, otherwise known
14 as "The Civil Aeronautics Act of the Philippines", and the regulations promulgated
15 thereunder from time to time.

16 **SEC. 4. Term of Franchise.** – This franchise shall be for a term of fifty (50) years from
17 the expiration of the Grantee's existing franchise under Republic Act No. 7151. This
18 franchise shall be deemed *ipso facto* revoked in the event the Grantee fails to operate
19 continuously for two (2) years.

20 **SEC. 5. Landing Facilities.** – Subject to such terms and conditions as the Philippine
21 Government may prescribe, the Grantee may use landing and other airport facilities on
22 land or water as may be maintained or owned by the Government within the Philippines
23 on the Grantee's lines, excepting those which in the opinion of said Government may
24 not be used by the Grantee because of military or naval considerations, and,
25 reciprocally, the Philippine Government shall have the right to use the landing and other
26 airport facilities on land or water maintained or owned by the Grantee in the Philippines.

27 **SEC. 6. Radio and Wireless Communication.** – The Grantee shall have the right, at
28 its terminals and landing fields as well as in its aircraft, to construct, operate and
29 maintain stations or transmitting sets for wireless telegraphy and direction finding, and
30 other radio aids to air navigation using wave lengths as shall be in accordance with the
31 rules and regulations made from time to time by the Philippine Government; but the
32 wireless communication facilities shall be used solely for receiving and transmitting
33 weather forecasts and messages releasing to the Grantee's aircraft and other matters
34 in connection with the Grantee's services.

35 **SEC. 7. Government Contracts.** – The Grantee is authorized to enter into
36 transportation contracts with the Philippine Government, including the carrying of mail,
37 upon terms and conditions to be mutually agreed upon. The Grantee shall give
38 preferential considerations to contracts with the Philippine Government, and,
39 reciprocally, the latter shall give preferential considerations to contracts with the
40 Grantee in the carrying of passengers, mail, and freight.

41 **SEC. 8. Right of Government in Emergencies.** – A special right is hereby reserved to
42 the President of the Philippines, in times of war, rebellion, public peril, calamity,
43 emergency, disaster, or disturbance of peace and order, to temporarily take over and
44 operate the facilities or equipment of the Grantee; to temporarily suspend the operation
45 of any facility or equipment in the interest of public safety, security and public welfare;

1 or to authorize the temporary use and operation thereof by any agency of the
2 government, upon due compensation to the Grantee, for the use of said facilities or
3 equipment during the period when these shall be so operated.

4 **SEC. 9. Warranty in Favor of National and Local Governments.** – The Grantee shall
5 hold the national, provincial, and municipal governments of the Philippines harmless
6 from all claims, accounts, demands, or actions arising out of accidents or injuries,
7 whether to property or to persons, caused by the operation of the services under the
8 franchise hereby granted.

9 **SEC. 10. Right of Eminent Domain.** – With the approval of the President of the
10 Philippines, and subject to the limitations and procedure prescribed by law, the Grantee
11 shall be authorized to exercise the right of eminent domain as may be reasonably
12 necessary for its stations and other structures in connection with the Grantee's
13 activities and operations.

14 **SEC. 11. Tax Provisions.** – The Grantee, its successors or assignees, shall be liable
15 to pay the corporate income tax, value-added tax, and real property tax, exclusive of
16 this franchise, as may be provided by applicable law.

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

22 (1) All taxes, duties, charges, royalties, or fees due on local purchases by the
23 Grantee of aviation gas, fuel, and oil, whether refined or in crude form, and
24 whether such taxes, duties, charges, royalties, or fees are directly due from
25 or imposable upon the purchaser or the seller, producer, manufacturer, or
26 importer of said petroleum products but are billed or passed on the
27 Grantee either as part of the price or cost thereof or by mutual agreement
28 or other arrangement; provided, that all such purchases by, sales or
29 deliveries of aviation gas, fuel, and oil to the Grantee shall be for exclusive
30 use in its transport and non-transport operations and other activities
31 incidental thereto;

32 (2) All taxes, including compensating taxes, duties, charges, royalties, or fees
33 due on all importations by the Grantee of aircraft, engines, equipment,
34 machinery, spare parts, accessories, tools, commissary and catering
35 supplies, aviation gas, fuel, and oil, whether refined or in crude form and
36 other articles, supplies, or materials; provided, that such articles or
37 supplies or materials are imported for the use of the Grantee in its transport
38 and non-transport operations and other activities incidental thereto and are
39 not locally available in reasonable quantity, quality, or price;

40 (3) All taxes on lease rentals, interest, fees, acquisition price and other
41 charges payable to lessors or vendors, whether foreign or domestic, of
42 aircraft, engines, equipment, machinery, spare parts, and other property
43 acquired, rented, leased, chartered, or mortgaged by the Grantee where
44 the payment of such taxes is assumed by the Grantee;

1 (4) All taxes on interest, fees, and other charges on foreign loans obtained
2 and other obligations incurred by the Grantee where the payment of such
3 taxes is assumed by the Grantee; and

4 (5) All taxes, fees, and other charges on the registration, licensing, acquisition,
5 and transfer of aircraft, equipment, motor vehicles, and all other personal
6 and real property of the Grantee.

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

9 (a) To depreciate its assets to the extent of not more than twice as fast
10 the normal rate of depreciation; and

11 (b) To carry over as a deduction from taxable income any net loss
12 incurred in any year up to five years following the year of such loss.

13 **SEC. 12. *Income Tax Filing and Gross Revenues.*** – The Grantee shall pay the basic
14 corporate income tax on a quarterly basis in accordance with the National Internal
15 Revenue Code, as amended. A final or an adjustment return covering the operation of
16 the Grantee for the preceding calendar or fiscal year shall be filed on or before the
17 fifteenth day of the fourth month following the close of the calendar or fiscal year. The
18 amount of the income tax to be paid by the Grantee shall be the balance of the total
19 income tax shown in the final or adjustment return after deducting therefrom the total
20 quarterly franchise or income taxes already paid during the preceding first three
21 quarters of the same taxable year.

22 Any excess of the total quarterly payments over the actual annual income tax due as
23 shown in the final or adjustment income-tax return shall either be refunded to the
24 Grantee or credited against the Grantee's quarterly franchise or income-tax liability for
25 the succeeding taxable year or years at the option of the Grantee.

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

32 **SEC. 13. *Employment of Foreign Nationals.*** – The provisions of existing laws to the
33 contrary notwithstanding, the Grantee is hereby authorized, without need of approval
34 by or clearance from any government agency, to hire or employ foreign nationals with
35 special qualification, competence, or experience who are needed by the Grantee for
36 the efficiency and improvement of its operations and other business activities:
37 *Provided*, That notice of such employment shall be given by the Grantee to all the
38 government agencies concerned and such foreign national shall register with the
39 Bureau of Immigration within thirty (30) days from the date of such employment.

40 **SEC. 14. *Authority to Contract Foreign Loans.*** – The Grantee is hereby authorized
41 to contract loans and credits in any convertible foreign currency and incur indebtedness
42 from time to time from foreign governments, foreign banks, or any foreign or
43 international financial institution or fund sources, or to issue bonds, notes, debentures,

1 and other evidence of indebtedness under such terms and conditions as it shall deem
2 appropriate for the accomplishment of its purpose.

3 The loans, credits, indebtedness contracted under this Section by the Grantee, and
4 the payment of the principal, interest, fees, and other charges thereon shall be exempt
5 from any and all taxes, including withholding tax: *Provided*, That the liability for the
6 payment of such taxes is assumed by the Grantee.

7 **SEC. 15. Tax Exemption on Lease and Purchase Payments.** – All payments, rentals,
8 interest, fees, and other charges paid by the Grantee to foreign or domestic entities for
9 the sale, purchase, or lease of aircraft, engines, spare parts, other flight or ground
10 equipment, and other personal property shall be exempt from all taxes, including
11 withholding tax: *Provided*, That the liability for the payment of said taxes is assumed
12 by the Grantee.

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

18 **SEC. 16. Sale, Lease, Transfer, Usufruct, or Assignment of Franchise.** – The
19 Grantee shall not sell, lease, transfer, grant the usufruct of, nor assign this franchise or
20 the rights and privileges acquired thereunder to any person, firm, company, corporation
21 or entity, nor merge with any other corporation or entity, nor shall the controlling interest
22 of the Grantee be transferred, whether as a whole or in part, and whether
23 simultaneously or contemporaneously, to any such person, firm, company, corporation
24 or entity without the prior approval of the Congress of the Philippines, except when the
25 transfer is done: (a) through a stock exchange transaction; (b) for purposes of
26 qualifying persons for election to the board; (c) to a corporation that is controlled by the
27 same stockholders as that of the Grantee; (d) to person, firm, company, corporation or
28 entity with a valid and existing legislative franchise for air transport services; or (e)
29 where the Grantee is the surviving corporation: *Provided*, That the foregoing limitations
30 shall not apply to: (1) any sale or transfer of shares of stock to a foreign investor or
31 investors; (2) any issuance of shares to a foreign or local investor pursuant to or in
32 connection with any increase in the Grantee’s authorized capital stock which results in
33 the dilution of the stockholdings of the Grantee’s then existing stockholders; or (3) any
34 combination thereof where such sale, transfer, or issuance is effected in order to
35 enable the Grantee to raise the necessary capital or financing for the provision of the
36 services for which the Grantee has been incorporated or organized: *Provided, further*,
37 That any such sale, transfer, or issuance is in accordance with any applicable
38 Constitutional provision. Any person or entity to which this franchise is validly sold,
39 transferred or assigned shall be subject to all the same conditions, terms, restrictions
40 and limitations of this Act.

41 **SEC. 17. Fuel Supply Security and Consumer Protection.** – In the interest of
42 protecting passengers, cargo shippers, and the general public from extreme fuel price
43 volatility arising from crisis, war, geopolitical disruption, supply chain interruption,
44 national emergency, and other similar extraordinary exigencies, the Grantee shall
45 adopt and maintain a fuel supply security framework that the Grantee may determine
46 to be financially prudent and operationally feasible, for the duration of this franchise:
47 *Provided*, That this framework shall be consistent with applicable aviation safety
48 standards: *Provided, further*, That any adjustment to the Grantee’s passenger or freight

1 rates during a declared fuel crisis or state of national emergency shall be made only in
2 accordance with applicable rate regulations and subject to the prior approval or
3 authorization of the CAB.

4 The Grantee shall submit to the CAB a Fuel Risk Management and Contingency Plan:
5 *Provided*, That the Grantee shall not be required to disclose commercially sensitive or
6 proprietary contractual terms in complying with this requirement.

7 **SEC. 18. Labor Rights and Employment Security.** – The Grantee shall create
8 employment opportunities and accept on-the-job trainees in its franchise operations:
9 *Provided*, That priority shall be accorded to Filipino workers, and in particular to
10 residents of the place where the principal office of the Grantee is located: *Provided*,
11 *further*, That the Grantee shall comply with all applicable labor standards, wage orders,
12 allowance entitlements, and other employee benefits under existing labor laws, rules
13 and regulations and similar issuances: *Provided, finally*, That the renewal, extension,
14 or implementation of the franchise granted under this Act shall not be used as a ground,
15 pretext, or occasion for the unjust or arbitrary termination of regular employees, and
16 any separation of regular employees must be grounded on valid and authorized causes
17 under the Labor Code of the Philippines and its implementing rules, with due notice
18 and observance of due process.

19 The employment opportunities or jobs created shall be reflected in the General
20 Information Sheet (GIS) of the Grantee to be submitted to the Securities and Exchange
21 Commission (SEC) annually.

22 **SEC. 19. Reportorial Requirement.** – The Grantee shall submit an annual report to the
23 Congress of the Philippines, through the Committee on Legislative Franchises of the
24 House of Representatives and the Committee on Public Services of the Senate, on its
25 compliance with the terms and conditions of this franchise and on its operations on or
26 before April 30 of every year during the term of its franchise.

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

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

34 **SEC. 20. Fine.** – The failure of the Grantee to submit the requisite annual report to
35 Congress shall be penalized with a fine in the amount of One thousand pesos
36 (P1000.00) per working day of non-compliance which shall be collected by the CAB.
37 The fine shall be collected separately from the reportorial penalties imposed by the
38 CAB and shall be remitted to the Bureau of the Treasury.

39 **SEC. 21. Non-Exclusivity and Equality Clause.** – This franchise shall not be
40 interpreted to mean an exclusive grant of the privileges herein provided for. However,
41 in the event that any competing individual, partnership, or corporation shall receive a
42 similar permit or franchise with terms and/or provisions more favorable than those
43 herein granted or which tend to place the Grantee herein at any disadvantage, then
44 such term and/or provision shall, *ipso facto*, become part hereof and shall operate
45 equally in favor of the Grantee herein.

1 **SEC. 22. Repealability Clause.** – This franchise is granted with the understanding that
2 it shall be subject to amendment, alteration, or repeal by Congress when the public
3 interest so requires.

4 **SEC. 23. Separability Clause.** – If any section or provision of this franchise is held or
5 declared unconstitutional or invalid by a competent court in a final judgment, the other
6 sections or provisions hereof shall continue to be in force as if the section or provision
7 so annulled or voided had never been incorporated in this franchise.

8 **SEC. 24. Repealing Clause.** – All laws, decrees, orders, instructions, and rules and
9 regulations or parts thereof which are inconsistent herewith are hereby repealed or
10 modified accordingly.

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

Approved,