

REPUBLIC ACT NO. 7909

AN ACT GRANTING A FRANCHISE TO PACIFIC AIRWAYS CORPORATION TO ESTABLISH AND MAINTAIN RURAL AIR TRANSPORT SYSTEM AND ALLIED SERVICES IN THE PHILIPPINES

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

SECTION 1. There is hereby granted to Pacific Airways Corporation, hereinafter referred to as the grantee, a franchise to establish, operate and maintain rural air transport services for the carriage of passengers, cargo and mail, industrial flights, aerial agricultural spraying, aerial environmental protection and management and related services, in and between municipalities, cities or provinces and all points and places throughout the Philippines and to enhance efficiency in the provision of such services to manufacture, overhaul, assemble and repair aircraft components, parts, tools, engines, airframes, propellers, and related parts.

SEC. 2. As used in this Act, the phrase "rural air transport" shall mean the service of providing air transport in and between municipalities, cities or provinces and all points and places throughout the Philippines as short-haul carriers, making such service an essential part of the national transportation network.

SEC. 3. Excepting cases of *force majeure* and whenever weather conditions permit, the grantee shall maintain scheduled or non-scheduled air transport services in and between any and all points and places throughout the Philippines at such frequencies as traffic needs may require.

SEC. 4. The grantee shall secure the prior approval of the Civil Aeronautics Board in determining its routes and rates for scheduled and non-scheduled passenger and/or freight services.

SEC. 5. Subject to such terms and conditions as the Philippine government may prescribe, the grantee may use the landing and replenishment facilities on land or water, as may be maintained or owned by the government of the Philippines, 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 such landing and replenishment facilities on land or water maintained and owned by the grantee in the Philippines.

SEC. 6. The grantee shall have the right at its terminals and landing fields, as it is allowed to use under Section 5 hereof, 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 or frequencies in accordance with the rules and regulations made by the National Telecommunications Commission: *Provided, however,* That the wireless communications facilities shall be used solely for receiving and transmitting weather forecasts and messages relating to the grantee's aircraft and other matters in connection with the grantee's services.

SEC. 7. The grantee shall be authorized to establish a responsive system with the Philippine Air Force involving the agreement of service credits that will permit drawings of the grantee from the Philippine Air Force of such services as aircraft parts and fuel in order to meet its needs, and the repayments by future goods and services to be drawn by the Philippine Air Force.

SEC. 8. The grantee shall be authorized to enter into transportation contracts with the Philippine government, including the carrying of mail, under such terms and conditions to be mutually agreed upon. The grantee may likewise enter into transportation and/or servicing contracts and such other contracts relating to air transport with other foreign-owned airline particularly those with international routes.

SEC. 9. The grantee may, from time to time, be deputized by the Air Transportations Office especially in areas relating to the enforcement of air safety standards.

SEC. 10. Subject to the limitations and procedures prescribed by law, the grantee shall be authorized to exercise the right of eminent domain as may be reasonably necessary for its landing fields, hangars, docks, ramps, wireless stations, and other structures in connection with the grantee's activities.

No private property shall be taken for any purpose without proper condemnation proceedings and just compensation paid or tendered therefor, and any authority to take and occupy land as provided herein, shall not apply to the taking, use or occupation of any land except such as is required for the actual purpose for which this franchise is granted.

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

SEC. 12. The grantee shall pay to the Philippine government during the life of this franchise a franchise tax of five (5%) of the gross revenues derived by the grantee from transport operations.

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. 13. This franchise is granted with the understanding that the grantee is a corporation sixty percent (60%) of the capital stock of which is the *bona fide* property of citizens of the Philippines and that the interest of such citizens in its capital stock or in the capital of the company with which it may merge shall at no time be allowed to fall below such percentage, under the penalty of cancellation of this franchise.

SEC. 14. This franchise shall not be interpreted to mean as an exclusive grant of the privileges herein provided for. However, in the event 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 terms and/or provisions shall *ipso facto* become part hereof and shall operate equally in favor of the grantee herein.

SEC. 15. The franchise hereby granted shall be subject to amendment, alteration or repeal by the Congress of the Philippines.

SEC. 16. The term of this franchise shall be fifty (50) years from the date of the effectivity of this Act.

SEC. 17. The grantee shall not lease, transfer, grant the usufruct of, sell or assign this franchise, nor the rights or privileges acquired thereunder, to any person, firm, company, corporation, or other commercial or legal entity, nor merge with any other company or corporation organized for the same purpose, without the prior approval of the Congress of the Philippines. Any person, firm, company, corporation or other commercial or legal entity to which this franchise is sold, transferred or assigned shall be subject to all the conditions, terms, restrictions and limitations of this franchise as fully and completely and to the same extent as if the franchise had been granted to the same person, firm, company, corporation or commercial or legal entity.

SEC. 18. This franchise shall not be valid unless the grantee accepts the same within two (2) years after its effectivity. Filing such acceptance in writing shall be made with the Civil Aeronautics Board.

SEC. 19. This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved, February 23, 1995.