

HOUSE OF REPRESENTATIVES

H. No. 7507

BY REPRESENTATIVES SY-ALVARADO, BAUTISTA, ALVAREZ (F.), SALCEDA, GARIN (S.), GARBIN, MACEDA, COLLANTES, VIOLAGO, CRISOLOGO, BAGATSING, FARINAS (R.C.), ALBANO, SIAO, VARGAS ALFONSO, BARONDA, PADUANO, VALERIANO, SAVELLANO, TEJADA, LACSON-NOEL, ESTRELLA, ALONTE, HERNANDEZ, VARGAS, ARAGONES, TAN (A.S.), BOLILIA, DY (F.M.C.), MARTINEZ, NOGRALES (J.J.), ABU, GONZALES (A.), PIMENTEL, SANTOS-RECTO, CASTELO, DY (I.P.), FERRER (L.), ABUEG-ZALDIVAR, SUANSING (E.), SINGSON-MEEHAN, DE VENECIA, HARESCO, DELOSO-MONTALLA, NUÑEZ-MALANYAON, ARENAS, FUENTEBELLA, ESCUDERO, GO (M.), DAGOOC, ONG (R.), SUNTAY, PADIERNOS, SUANSING (H.), GATCHALIAN, SALO, TAMBUNTING, VILLA, NIETO, PINEDA, REMULLA, ACOSTA, ABANTE, TIANGCO, REVILLA, VILLANUEVA (E.), RIVERA, DY (F.), MARCOLETA, JIMENEZ, CHIPECO AND HOFER, PER COMMITTEE REPORT NO. 438

AN ACT

GRANTING SAN MIGUEL AEROCITY INC. A FRANCHISE TO CONSTRUCT, DEVELOP, ESTABLISH, OPERATE, AND MAINTAIN A DOMESTIC AND INTERNATIONAL AIRPORT IN THE MUNICIPALITY OF BULAKAN, PROVINCE OF BULACAN, AND TO CONSTRUCT, DEVELOP, ESTABLISH, OPERATE, AND MAINTAIN AN ADJACENT AIRPORT CITY

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

1 **SECTION 1. Nature and Scope of Franchise.** – Subject to the provisions of
2 the Constitution and applicable laws, rules and regulations, there is hereby granted
3 to San Miguel Aerocity Inc., hereinafter referred to as the grantee, its successor or
4 assignees, a franchise to construct, develop, establish, operate, and maintain for
5 commercial purposes and in the public interest, a domestic and international airport,

1 hereinafter referred to as the airport, in Barangays Taliptip and Bambang in the
2 Municipality of Bulakan, Province of Bulacan.

3
4 The grantee shall likewise have the right to construct, acquire, lease, operate
5 or manage such properties which are as convenient or essential to efficiently carry
6 out objectives of this Act, such as toll roads, railroads, mass transport systems,
7 hotels, warehouses, hangars, aircraft service stations and other facilities, as well as
8 to develop the areas adjacent to the airport into one integral and comprehensive
9 development, hereinafter collectively referred to as the Airport City.
10

11 **SEC. 2. Manner of Operation of Airport Facilities.** – All airport properties
12 and facilities owned, maintained, operated, or managed by the grantee, its
13 successors or assignees, shall be operated and maintained at all times in the best,
14 cautious, and diligent manner and in accordance with the standards, practices and
15 procedures required by the Manual of Standards-Aerodromes. It shall also be the
16 duty of the grantee, its successors or assignees, whenever required to do so by the
17 Department of Transportation (DOTr) or its legal successor, or the Civil Aviation
18 Authority of the Philippines (CAAP), or any other authorized government agency, to
19 modify, improve, and change such properties and facilities or systems in such a
20 manner and to such extent as the progress in science and technological
21 improvements in the airport or air transport service industry may render reasonable
22 and proper.
23

24 **SEC. 3. Authority of the Civil Aviation Authority of the Philippines.** – The
25 grantee shall secure from the CAAP such appropriate certification, permit or license
26 for the construction, installation and operation of the airport. In issuing the
27 certificate, the CAAP shall have the power to impose such conditions relative to the
28 construction, operation, and maintenance of the airport in compliance with
29 international standards. The CAAP shall have the authority to regulate the
30 construction and operation of the airport. The CAAP, however, shall not
31 unreasonably withhold or delay the grant of any such authority, permit or license.
32

33 **SEC. 4. Responsibility to the Public.** – The grantee shall conform to the
34 ethics of honest enterprise and not use the airport for subversive and treasonable
35 acts.
36

37 The grantee shall operate and maintain the Airport City in a satisfactory
38 manner at all times, and as far as economical and practicable, modify, improve, or
39 change such systems and equipment used therein to keep abreast with the
40 advances in science and technology.
41

42 **SECTION 5. Rates for Services.** - The charges and rates for the use of the
43 airport shall be subject to the approval of the CAAP.
44

45 **SECTION 6. Airport City and Related Businesses.** – In order to encourage,
46 promote and accelerate the sound and balanced industrial, economic and social
47 development of the areas adjacent to the airport and attract investments therein, the
48 grantee is hereby authorized and allowed to construct, acquire, own, lease, operate,
49 develop or manage the Airport City, and conduct other businesses related to the

1 airport. In addition to the rights granted unto it under Section 1 of this Act, the
2 grantee shall have the right to lease, sublease or assign interests in, and to collect
3 and receive any and all income from toll roads, railroads, and mass transport
4 systems connecting to the airport, advertising, car park, installation of cables,
5 telephone lines, fiber optics or water mains, water lines, and other business or
6 commercial ventures or activities over all areas and aspects of the airport and the
7 Airport City.
8

9 **SEC. 7. Right of the Government.** – A special right is hereby reserved to the
10 President of the Philippines, in times of war, rebellion, public peril, calamity,
11 emergency, disaster, or disturbance of peace and order, to temporarily take over and
12 operate the airport; to temporarily suspend the operation of the airport in the interest
13 of public safety, security and public welfare; or to authorize the temporary use and
14 operation thereof by any agency of the government, upon due compensation to the
15 grantee, for the use of the airport during the period when these shall be so operated.
16

17 **SEC. 8 Term of Franchise.** – This franchise shall be in effect for a period of
18 fifty (50) years from the effectivity of this Act, inclusive of the ten (10)-year maximum
19 period for the design, planning and construction of the airport and the Airport City
20 (the “Ten-Year Construction Period”), unless sooner revoked or cancelled. This
21 franchise shall be deemed *ipso facto* revoked in the event the grantee fails to comply
22 with any of the following conditions:
23

- 24 a. Commence construction within one (1) year from the effectivity of this
25 Act;
 - 26 b. Commence operations within one (1) year from the approval of the
27 operating permit from the CAAP;
 - 28 c. Commence operations within twelve (12) years from the effectivity of
29 this Act; and
 - 30 d. Operate continuously for two (2) years.
- 31

32 At the expiration of this franchise, the grantee shall turn-over the ownership of
33 the airport to the government agency or local government unit concerned.
34

35 **SEC. 9. Acceptance and Compliance.** – Acceptance of this franchise shall
36 be given in writing to the Congress of the Philippines, through the Committee on
37 Legislative Franchises of the House of Representatives and the Committee on Public
38 Services of the Senate, within sixty (60) days from the effectivity of this Act. Upon
39 giving such acceptance, the grantee shall exercise the privileges granted under this
40 Act. Non-acceptance shall render this franchise void.
41

42 **SEC. 10. Bond.** – The grantee shall file a bond with the CAAP in the amount
43 that it shall determine to guarantee the compliance with and fulfillment of the
44 conditions under which this franchise is granted. If, after three (3) years from the
45 date of the approval of its permit by the CAAP, the grantee shall have fulfilled the
46 conditions, the bond shall be cancelled by the CAAP. Otherwise, the bond shall be
47 forfeited in favor of the government and the franchise *ipso facto* revoked.
48

1 **SEC. 11. Gross Receipts.** - The grantee, its successors or assignees, shall
2 keep a separate account of the gross receipts of the business transacted by it and
3 shall furnish the Commission on Audit (COA) and the Bureau of the Treasury a copy
4 of such account not later than the thirty-first (31st) day of January of each year for the
5 preceding twelve (12) months.

6
7 **SEC. 12. Books and Accounts.** – The books and accounts of the grantee, its
8 successors or assignees, shall always be open to the inspection of the COA and its
9 duly authorized representatives. It shall be the duty of the grantee to submit to the
10 COA two (2) copies of the quarterly reports on the gross receipts, the net profits and
11 the general condition of the business.

12
13 **SEC. 13. Warranty in Favor of the National and Local Governments.** –
14 The grantee shall hold the national, provincial, city, and municipal governments of
15 the Philippines free from all claims, accounts, demands, or actions arising out of
16 accidents or injuries, whether to property or to persons, caused by the construction
17 or operation of the airport.

18
19 **SEC. 14. Sale, Lease, Transfer, Grant of Usufruct, or Assignment of**
20 **Franchise.** – The grantee shall not sell, lease, transfer, grant the usufruct of, nor
21 assign this franchise or the rights and privileges acquired thereunder to any person,
22 firm, company, corporation or other commercial or legal entity, nor merge with any
23 other corporation or entity, nor the controlling interest of the grantee be transferred,
24 simultaneously or contemporaneously, to any person, firm, company, corporation, or
25 entity without the prior approval of the Congress of the Philippines. Congress shall
26 be informed of any sale, lease, transfer, grant of usufruct, or assignment of franchise
27 or the rights and privileges acquired thereunder, or of the merger or transfer of the
28 controlling interest of the grantee, within sixty (60) days after the completion of said
29 transaction. Failure to report to Congress such change of ownership shall render the
30 franchise *ipso facto* revoked. Any person or entity to which this franchise is sold,
31 transferred or assigned shall be subject to the same conditions, terms, restrictions,
32 and limitations of this Act: *Provided*, That the limitations set forth in this Section shall
33 not apply to: (a) any transfer or issuance of shares of stock in the implementation of
34 the requirement for the dispersal of the grantee's ownership pursuant to Section 18
35 of this Act; (b) any transfer or sale of shares of stock to a foreign or local investor or
36 investors; (c) any issuance of shares to any foreign or local investors pursuant to or
37 in connection with any increase in the grantee's authorized capital stock which shall
38 result in the dilution of the stockholdings of the grantee's then existing stockholders;
39 and (d) any combination thereof where such transfer, sale or issuance is effected in
40 order to enable the grantee to raise the necessary capital or financing for the
41 provision of any of the services authorized by this Act and/or to carry out any of the
42 purposes for which the grantee has been incorporated or organized: *Provided*,
43 finally, That any such transfer, sale or issuance is in accordance with any applicable
44 constitutional limitations.

45
46 **SEC. 15. Right of Way.** – The grantee, in accordance with existing laws and
47 local ordinances, shall have the power to acquire either by purchase, negotiation,
48 expropriation or condemnation proceedings, any private lands within or adjacent to
49 the premises of the airport for the following purposes: (1) acquisition and

1 consolidation of lands for the development of the airport and the Airport City; and (2)
2 acquisition of right of way to the airport and the Airport City.

3
4 **SEC. 16. Tax Exemptions.** – During the ten-year construction period, the
5 grantee shall be exempt from any and all direct and indirect taxes and fees of any
6 kind, nature or description, which emanate exclusively from the construction,
7 development, establishment, and operation of the airport and Airport city, including
8 income taxes, value-added taxes, percentage taxes, excise taxes, documentary
9 stamp taxes, customs duties and tariffs, taxes on real estate, buildings and personal
10 property, business taxes, franchise taxes, and supervision fees, levied, established
11 or collected, or may be levied, established or collected, by any city, municipal,
12 provincial or national authority.

13
14 After the ten-year construction period and during the remaining term of this
15 franchise, the grantee shall be exempt from income taxes and taxes on real estate,
16 buildings and personal property, levied, established or collected, or may be levied,
17 established or collected, by any city, municipal, provincial or national authority.
18 However, such exemption from income taxes and taxes on real estate, buildings and
19 personal property shall expire as soon as it is determined by a competent authority
20 that the grantee has fully recovered its investment cost on the airport and on the
21 Airport City, whereupon the grantee shall be subjected to all taxes under the National
22 Internal Revenue Code of 1997, as amended, and the Customs Modernization and
23 Tariff Act.

24
25 **SEC. 17. Revenue Sharing with the Government.** – During the term of this
26 franchise and after a competent authority has determined that the grantee has fully
27 recovered its investment cost, the grantee shall be entitled to generate income from
28 the Airport City equivalent to a project Internal Rate of Return (IRR) of twelve percent
29 (12%) per annum. Any amount in excess of the twelve percent (12%) IRR of the
30 Airport City shall be remitted to the National Government.

31
32 The IRR of the Airport City shall be reckoned and calculated within three (3)
33 months after the competent authority determined that the grantee has fully recovered
34 its investment cost. The grantee shall remit the share of the National Government
35 immediately after the IRR of the Airport City has been determined.

36
37 **SEC. 18. Dispersal of Ownership.** – In accordance with the constitutional
38 provision to encourage public participation in public utilities, the grantee shall offer to
39 Filipino citizens at least thirty percent (30%) or a higher percentage that may
40 hereafter be provided by law of its outstanding capital stock in any securities
41 exchange in the Philippines within five (5) years from the determination of competent
42 authority that the grantee or its assignee has fully recovered its Investment Cost:
43 *Provided*, That in cases where public offer of shares is not applicable, other methods
44 of encouraging public participation by citizens and corporations operating public

1 utilities must be implemented. Noncompliance therewith shall render the franchise
2 *ipso facto* revoked.

3
4 **SEC. 19. Reportorial Requirement.** – The grantee shall submit an annual
5 report to the Congress of the Philippines through the Committee on Legislative
6 Franchises of the House of Representatives and the Committee on Public Services
7 of the Senate, on its compliance with the terms and conditions of the franchise and
8 on its operations on or before April 30 of every year during the term of its franchise.
9 The reportorial compliance certificate issued by Congress shall be required before
10 any application for permit or certificate is accepted by the CAAP.

11
12 **SEC. 20. Penalty Clause.** – Failure of the grantee to submit the requisite
13 annual report to Congress shall be penalized by a fine of One million pesos
14 (P1,000,000.00) per working day of noncompliance. The fine shall be collected by
15 the CAAP from the delinquent franchise grantee separate from the reportorial
16 penalties imposed by the CAAP and the same shall be remitted to the Bureau of the
17 Treasury.

18
19 **SEC. 21. Equality Clause.** – Any advantage, favor, privilege, exemption, or
20 immunity granted under existing franchises, or which may hereafter be granted,
21 upon prior review and approval of Congress, shall become part of this franchise and
22 shall be accorded immediately and unconditionally to the herein grantee: *Provided,*
23 That the foregoing shall neither apply to nor affect the provisions of the franchise
24 concerning territorial coverage, the term, or the type of service authorized by the
25 franchise.

26
27 **SEC. 22. Repealability and Non-exclusivity Clause.** – This franchise shall
28 be subject to amendment, alteration, or repeal by the Congress of the Philippines
29 when the public interest so requires and shall not be interpreted as an exclusive
30 grant of the privileges herein provided for.

31
32 **SEC. 23. Separability Clause.** – If any of the sections or provisions of this
33 Act is held invalid, all other provisions not affected thereby shall remain valid.

34
35 **SEC. 24. Repealing Clause.** –All laws, decrees, orders, resolutions,
36 instructions, rules and regulations, and other issuances or parts thereof which are
37 inconsistent with the provisions of this Act are hereby repealed, amended, or
38 modified accordingly.

39
40 **SEC. 25. Effectivity.** – This Act shall take effect fifteen (15) days after its
41 publication in the Official Gazette or in a newspaper of general circulation.

42
43 Approved,