

# [ PRESIDENTIAL DECREE NO. 696, May 09, 1975 ]

## **REVISING PRESIDENTIAL DECREE NO. 286, DATED SEPTEMBER 5, 1973, AS AMENDED, OTHERWISE KNOWN AS THE CHARTER OF THE PHILIPPINE AEROSPACE DEVELOPMENT CORPORATION AND FOR OTHER PURPOSES.**

**I, FERDINAND E. MARCOS**, Commander-in-chief of all the Armed Forces of the Philippines, pursuant to Proclamation Order No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, and in order to strengthen the corporate structure of the Philippine Aerospace Development Corporation, do hereby order and decree the revision of its charter, Presidential Decree No. 286, dated September 5, 1973, as amended, which shall henceforth read in its entirety as follows:

"**WHEREAS**, it has been a continuing national policy to develop an integrated land, sea, and air transport infrastructure throughout the country;"

"**WHEREAS**, it is the policy of government to encourage and promote the development of advanced technology in the country in order to improve the quality of life of our people;"

"**WHEREAS**, in order to optimize the national utility of the aviation and aerospace industry, a definite policy for its rationalization has become imperative;"

"**WHEREAS**, such a rationalization calls for positive government involvement and initiative in the development and improvement of air transport services and facilities; in the development of local capability for design, assembly and manufacture of appropriate aircraft or aerospace-related devices; and in the development and improvement of the technical, maintenance and engineering services required to support the above activities;"

"**WHEREAS**, such government involvement and initiative shall in the long run result in substantial savings of valuable foreign exchange, effect standardization of aerospace and associated ground equipment and facilities, optimize the utilization of skilled manpower in the country, and extend air transport services to a larger segment of the population as well as increase and improve such services between the country and the outside world;"

"**WHEREAS**, such a government involvement and initiative shall further the national objective and policy of developing national self-reliance, best serve the interests of national security, and facilitate the performance of other essential governmental functions, such as mail service, relief and rehabilitation and other civic undertakings;"

"**WHEREAS**, a well-developed and technically reliable aviation and aerospace industry shall serve to meet the market demands and service requirements of neighboring countries in Southeast Asia;"

**NOW, THEREFORE, I, FERDINAND E. MARCOS**, by virtue of the powers vested in me by the Constitution as Commander-in-chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, and in order to effect the desired changes and reforms in the social and economic structure of our Society, do hereby order and decree that:

"Section 1. *Creation of the Corporation.*—There is hereby created a body corporate and politic under the Office of the President of the Philippines to be known as the Philippine Aerospace Development Corporation, hereinafter referred to as the Corporation, which shall be governed by this Decree and its by-laws as authorized hereunder and shall have succession for a period of fifty (50) years from and after the date of approval of this Decree. The principal office of the Corporation shall be located in a place to be determined by the Board of Directors."

"Section 2. *Purpose of the Corporation.*—The Corporation, by itself or through its subsidiary/subsidiaries, shall undertake all manner of activity, business or development projects for the establishment of a reliable aviation and aerospace industry that shall include but not be limited to:

- a. The design, assembly, manufacture, and sale of all forms of aircraft and aviation/aerospace devices, equipment or contraptions, and studies or researches for innovations and improvements thereon.
- b. The development of local capabilities in the maintenance, repair/overhaul, and modification of aerospace and associated flight and ground equipment and components thereof in order to provide technical services and overhaul support to government agencies owning aerospace equipment, the Philippine Air Force, the national airline, foreign airline companies, foreign air forces and to the aviation industry in general.
- c. The operation and provision of air transport services, whether for cargo or passengers on a scheduled, non-scheduled, or charter basis on domestic and/or international scale."

"Section 3. *Powers of the Corporation.*—In order to accomplish the foregoing corporate purpose, the Corporation shall be vested with the following powers:

- a. To prescribe and thereafter to amend and repeal its by-laws not inconsistent with this Decree;
- b. To adopt and use a seal and alter it when necessary;
- c. To sue and be sued in any court, Provided, that PADC, shall, unless it consents otherwise, be immune to suits for acts *ex delicti*;

- d. To carry on any other lawful business whatsoever in pursuance of or in connection with the foregoing primary purpose;
- e. To enter into, make, perform and carry out contracts of every kind and description for the foregoing corporate purpose with any person, firm or association or corporation, domestic or foreign; to have one or more offices in and outside of the Philippines, and to conduct its business and exercise its power throughout and in any part of the Republic of the Philippines and/or in any and all foreign countries, states and territories;
- f. To hold public agricultural lands and mineral lands in excess of the areas permitted to private corporations, associations and persons by the laws of the Philippines for a period not exceeding twenty-five years renewable by the President of the Philippines for another twenty-five years;
- g. To acquire, hold, mortgage and alienate personal and real property in the Philippines or elsewhere;
- h. To purchase, hold, alienate, mortgage, pledge or otherwise dispose of the shares of the capital stock of, or any bond, security of other corporations or associations of this or any other country, and while the owner of said stock, to exercise all the rights of ownership including the right to vote thereon;
- i. To borrow funds, from any source, private or government, foreign or domestic;
- j. To invest, own or otherwise participate in equity in any establishment, firm or entity engaged in the aviation and aerospace industry; to form, organize, establish and maintain subsidiary or subsidiaries;
- k. To submit to the President of the Philippines, whenever appropriate, recommendations on policies and measures that shall promote and stabilize the industry, including recommendations on import and export limitation, tariffs, subsidies or anti-dumping measures and to recommend to the appropriate authorities such policies and measures as may be necessary to promote the development of the aviation and aerospace industry;
- l. To cooperate, coordinate and exchange such information, studies and reports with; and to seek such cooperation and coordination from the private sector as well as other departments, agencies and instrumentalities of the National Government as will most effectively contribute to the achievement of the purpose of this Decree;
- m. To coordinate, cooperate and consult with the Department of National Defense and its affiliated entities on activities of the Corporation related to national defense and security and to avail itself of or share any resources, incentives, exemptions or benefits granted or in connection with national defense and security

activities under laws, rules and regulations now existing or hereafter promulgated;

- n. To execute any and all acts which a partnership or a natural person is authorized to perform under the laws now existing or which may hereafter be enacted and;
- o. To exercise such powers and perform such acts as may be necessary to carry out the purpose for which the PADC was established or which from time to time may be declared by the Board of Directors to be necessary, useful, incidental or auxiliary to accomplish such purpose."

"Section 4. *Capital Stock and Appropriation Therefor.*—The Corporation shall have a capital stock divided into FIVE MILLION no-par shares to be subscribed, paid for and voted on as follows:

- a. Two million shares of stock shall be subscribed and paid for by the Government of the Republic of the Philippines. Such shares shall have an initial value of forty pesos (P40.00) per share and may be redeemed by the Corporation and resold only to the National Government at re-issue value determined by the Board of Directors and approved by the President of the Philippines. For this purpose the amount of P10 million set aside and appropriated from the General Fund, under Presidential Decree No. 286, dated September 5, 1973, and an additional sum of SEVENTY MILLION PESOS out of the General Fund, not other wise appropriated, are hereby appropriated for the payment of the two million shares subscribed by the Republic of the Philippines.
- b. Five hundred thousand shares of stock shall each be subscribed and paid for by the Development Bank of the Philippines and the Government Service Insurance System at issue values to be determined by the Board of Directors of the Corporation.
- c. Subject to the approval of the President of the Republic of the Philippines, the remaining two million shares shall be subscribed to by the Government of the Republic of the Philippines or any of its national financial institutions or government-owned or controlled corporations at issue values to be determined by the Board of Directors of the Corporation. In no case, however, shall the Government lose majority control over the total number of voting shares of the Corporation.
- d. Twenty-five percentum of the value of all stock subscribed under paragraphs (b) and (c), this section, shall be paid for at the time of subscription, and the balance thereof shall be subject to call upon a majority vote of the Board of Directors.
- e. The voting power pertaining to shares of stock subscribed by the Government of the Republic of the

Philippines shall be vested in the President of the Philippines or in such person or persons as he may designate.

- f. The voting power pertaining to shares of stock subscribed by the Development Bank of the Philippines and the Government Service Insurance System shall be vested in the Chairman, Board of Governors, and the General Manager, respectively.
- g. The voting power pertaining to shares of stock hereinafter subscribed by or transferred to national financial institutions or government-owned or controlled corporations shall be vested in the Chairman of their respective Boards of Directors/Trustees, or, in the absence of a Board of Directors/Trustees, or when so delegated by the Chairman of the Board of Directors/Trustees, in their respective chief executive official.
- h. Each share of stock shall represent one vote. Issuances or transfers of shares shall be allowed only upon offer of such shares for subscription or purchase having first been made to the Government of the Republic of the Philippines. Any agreement, contract, arrangement, scheme or plan that shall transfer ownership and voting rights over such shares such that the majority control by the National Government over the total number of voting shares of the Corporation shall be impaired is prohibited.

"Section 5. *Authority for Fund Appropriation.*—In addition to the appropriation of funds authorized under Section 4, paragraph (a), there are hereby set aside and appropriated from the General Fund, not otherwise appropriated, such amounts as may be necessary to pay for (1) the total reissue values of shares of stock whenever the same are resold by the Corporation to the National Government under Section 4, paragraph a, (2) any subscription of the National Government under Section 4, paragraph c and (3) any subscription of the National Government to the capital stock of subsidiaries of the Corporation under Section 8."

"Section 6. *Board of Directors.*—The Corporation shall be governed and its activities shall be directed, controlled and managed by a Board of Directors which shall be composed of the following ex-officio members, namely the Executive Secretary, the Secretary of Finance, the Secretary of Industry, the Secretary of National Defense, the Chairman, Board of Governors of the Development Bank of the Philippines, the General Manager of the Government Service Insurance System and three (3) other members to be appointed by the President of the Philippines. The first appointive director shall serve for a term of one (1) year, the second, for a term of two (2) years, and the third, for a term of three (3) years, after which their successors shall serve for a term of two (2) years.