

[REPUBLIC ACT NO. 7151, August 22, 1991]

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:

SECTION 1. *Nature and Scope of Franchise.* - Subject to the provisions of the Constitution and applicable laws, rules and regulations, there is hereby granted to Cebu Air, Inc., hereunder referred to as the grantee, its successors or assigns 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.

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.

The grantee shall have the right at its terminals 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. *Civil Aeronautics Board.* - The grantee shall secure from the Civil Aeronautics Board the appropriate 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 communication, safety and other equipment and shall be operated and maintained in accordance with the regulations and technical requirements of the Air Transportation Office or such other regulatory bodies as 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 regulations by the Air Transportation Office.

The grantee shall comply with the provisions of Republic Act Numbered Seven hundred and 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 and/or non-scheduled and/or charter air transport services between any and all points and places throughout the Philippines and other countries at such frequencies as traffic needs may require with Cebu as its base: *Provided, however,* That at least twenty-five percent (25%) of all its frequencies shall be for the domestic market.

SEC. 4. *Rates for Services.* - The grantee shall fix just and reasonable rates for the transportation of passengers, mail, goods and freight, subject to the regulations and approval of the Civil Aeronautics Board and other proper regulatory agencies of the Government.

SEC. 5. *Term of Franchise.* - This franchise shall be for a term of forty (40) years from the date of the approval of this Act, unless sooner revoked or cancelled. In the event that the grantee fails to operate within two (2) years from the effectivity of this Act, this franchise shall be deemed ipso facto revoked.

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 Philippine Government. 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. *Right of 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. *Public Equity Participation.* - In compliance with the constitutional mandate to democratize ownership of public utilities, the herein grantee shall make public offering through the stock exchanges of at least thirty percent (30%) of its common stocks within a period of ten (10) years from the date of effectivity of this Act: *Provided,* That no single person or entity shall be allowed to own more than five percent (5%) of the stock offerings.

SEC. 10. *Warranty in Favor of 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.