

[REPUBLIC ACT NO. 2232, June 05, 1959]

AN ACT TO REACTIVATE THE INTERNATIONAL AIR TRANSPORT SERVICES OF THE PHILIPPINE AIR LINES, INC, AND TO APPROPRIATE THE NECESSARY FUNDS THEREFOR.

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

SECTION 1. Declaration of policy.—Because of the peculiar geographical location of the Philippines, it is vital to her security and defense and to the enhancement of her commerce that she should maintain her own international air operations.

The need for a Philippine flag carrier in air commerce is underlined by the current crisis in international relations; which, aside from Berlin and the Middle East, recently found focus in the Far East because of pronouncements made by Soviet Russia that she will expand her economic program in this area. The Philippines particularly, finds herself constantly threatened with the Communist menace due to her proximity with Red China—and with Formosa. Under this context, it is not difficult to visualize the country's instant involvement in case of a "shooting war" between the world's great powers. And that, in case of such an eventuality, the foreign interests now controlling air travel to and from the Philippines will have to suspend their operations; thus isolating, in this respect, the Philippines from the other parts of the world.

Considerations of commerce also dictate that the Philippines maintain her own air lanes in the international field. The demand for air travel from this country to other points of the globe has increased enormously. Reactivation of Philippine air transport services would meet this demand; with resultant profit not to foreign-owned airlines but to the national flag carrier. Furthermore, the build-up in modern long-range aircraft, controlled by Filipino enterprises, would add to the stature and strengthen the position of the Philippines in world commerce and navigation; to say nothing of the training and experience which Filipino pilots, engineers and technicians would obtain in the process.

Today, the conduct of air commerce between the Philippines and other countries is exclusively and completely done with airships flying foreign flags. All benefits, therefore, that accrue to this necessary and tremendously important industry go to foreign interests. In addition, Philippine dollar reserves are unnecessarily depleted by conversion of the foreign carriers' peso earnings into United States dollars, as authorized by the Central Bank of the Philippines.

As a sovereign nation, the Republic of the Philippines, should have her own air routes and traffic rights if she is to exploit the international air-traffic potential. The attainment of this objective on a sound and economic basis requires a national air earner, whose company should be given all the rights and privileges necessary to

insure that it shall have fair and equal opportunities to compete profitably with other airlines for the international trade.

To successfully operate such an air transport system and to adequately cope with the exigencies brought about by modern jet equipment, the national air carrier will require adequate compensation for air-mail services similar to that provided other international airlines by their respective governments. This air-mail compensation assistance will be particularly essential to the national flag carrier during its first five years of reactivated operation. And because the need for such government assistance is greatest at the start of operations (the first two years) gradually diminishing in subsequent years; different rates of compensation at an inverse escalation ratio would D most effective and beneficial. These rates of compensation will be computed on the basis of the per-mile flown on the following Pacific route:

North Central Pacific
Manila, Hongkong, Manila, Tokyo, Honolulu,
San Francisco/or Los Angeles
With two jet aircraft, four weekly round trip
services can be offered.

Considering the international character of the operation, such rates are established in United States dollars but will be payable in pesos, as follows:

Calendar year	Rate in	Total in
	U. S. \$	pesos
1st year(1961)	\$0.75	P5.661.552
2ndyear(1962)	0.75	5,661,552
3rd year(1963)	0.625	4,717,960
4th year(1964)	0.50	3,774,368
5th year(1965)	0.50	<u>3,774,368</u>
Total		P23,589,800

(NOTES: The rates apply to the scheduled route miles operated. The total amount per year, therefore, will vary from time to time depending on a schedule basis, but may not exceed the total amounts appropriated herein for each year.)

It is, therefore, declared to be the national policy, in the interest of the nation, to reactivate international air transport services. It is likewise declared to be the national policy to adequately compensate the national flag carrier for the carriage of international airmail for the route above indicated, and, for this purpose, an annual appropriation shall be made for the Bureau of Posts, to be paid to the national flag carrier for a period of five years, n order that this national policy may be properly and effectively implemented, it is the sense of Congress that the instrumentalities of the Government, including the Central Bank of the Philippines, shall lend full support this undertaking by making available the loan funds foreign exchange required for the purchase of the latest type of turbine aircraft for use in long-range international operations and for other purposes related to such operations in order that the national flag carrier's services, may, in every way possible, be comparable, if not superior, to those of competing airlines. To this end, it shall be mandatory on the Central Bank to earmark the foreign exchange requirements applied for in pursuance of this national aviation program.