H. No. 7507

Republic of the Philippines
Congress of the Philippines
Metro Manila
Eighteenth Congress
Second Regular Session

Begun and held in Metro Manila, on Monday, twenty-seventh day of July, two thousand twenty.

[REPUBLIC ACT NO. 11506]

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:

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 San Miguel Aerocity Inc.,

hereinafter referred to as the grantee, its successors or assignees, a franchise to construct, develop, establish, operate, and maintain for commercial purposes and in the public interest, a domestic and international airport, hereinafter referred to as the airport, in Barangays Taliptip and Bambang in the Municipality of Bulakan, Province of Bulacan.

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

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

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

SEC. 4. *Responsibility to the Public.* – The grantee, its successors or assignees, shall conform to the ethics of honest enterprise and not use the airport for subversive and treasonable acts.

The grantee, its successors or assignees, shall construct, develop, establish, operate and maintain the airport in a manner that aligns with the sustainable development goals. It shall comply with environmental and sustainability standards and shall work with the affected local governments, communities and other concerned groups to ensure safe and inclusive development.

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

SEC. 5. *Rates for Services.* – The charges and rates for the use of the airport shall be subject to the approval of the CAAP.

SEC. 6. *Airport City and Related Businesses.* – In order to encourage, promote and accelerate the sound and balanced industrial, economic and social development of the areas adjacent to the airport and attract investments therein, the grantee, its successors or assignees, is hereby authorized and allowed to construct, acquire, own, lease, operate, develop or manage the Airport City, and conduct other businesses related to the airport. In addition to the rights granted unto it under Section 1 of this Act, the grantee, its successors or assignees, shall have the right to lease, sublease or assign interests in, and to collect and receive any and all income from toll roads, railroads, and mass transport systems connecting to the airport, advertising, car park, installation of cables, telephone lines, fiber optics or water mains, water lines, and other business or commercial ventures or activities over all areas and aspects of the airport and the Airport City.

SEC. 7. *Right of the Government.* – A special right is hereby reserved to the President of the Philippines, in times of war, rebellion, public peril, calamity, emergency, disaster, or disturbance of peace and order: to temporarily take over and operate the airport; to temporarily suspend the operation of the

airport in the interest of public safety, security and public welfare; or to authorize the temporary use and operation thereof by any agency of the government, upon due compensation to the grantee, its successors or assignees, for the use of the airport during the period when these shall be so operated.

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

(a) Commence construction within one (1) year from the effectivity of this Act;

(b) Commence operations within one (1) year from the approval of the operating permit from the CAAP;

(c) Commence operations within twelve (12) years from the effectivity of this Act; and

(d) Operate continuously for two (2) years.

At the expiration of this franchise, the grantee, its successors or assignees, shall turnover the ownership of the airport to the DOTr.

SEC. 9. *Acceptance and Compliance.* – Acceptance of this franchise shall be given in writing to the Congress of the Philippines, through the Committee on Legislative Franchises of the House of Representatives and the Committee on Public Services of the Senate, within sixty (60) days from the effectivity of this Act. Upon giving such acceptance, the grantee, its successors or assignees, shall exercise the privileges granted under this Act. Nonacceptance shall render this franchise void.

SEC. 10. *Bond.* – The grantee, its successors or assignees, shall file a bond with the CAAP in the amount that it shall determine to guarantee the compliance with and fulfillment of

the conditions under which this franchise is granted. If, after three (3) years from the date of the approval of its permit by the CAAP, the grantee, its successors or assignees, shall have fulfilled the conditions, the bond shall be cancelled by the CAAP. Otherwise, the bond shall be forfeited in favor of the government and the franchise *ipso facto* revoked.

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

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

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

SEC. 14. *Sale, Lease, Transfer, Grant of Usufruct, or Assignment of Franchise.* – The grantee, its successors or assignees, shall not sell, lease, transfer, grant the usufruct of, nor assign this franchise or the rights and privileges acquired thereunder to any person, firm, company, corporation or other commercial or legal entity, nor merge with any other corporation or entity, nor the controlling interest of the grantee, its successors or assignees, be transferred, simultaneously or contemporaneously, to any person, firm, company, corporation, or entity without the prior approval of the Congress of the Philippines. Congress shall be informed of any sale, lease, transfer, grant of usufruct, or assignment of franchise or the

rights and privileges acquired thereunder, or of the merger or transfer of the controlling interest of the grantee, its successors or assignees, within sixty (60) days after the completion of said transaction. Failure to report to Congress such change of ownership shall render the franchise *ipso facto* revoked. Any person or entity to which this franchise is sold, transferred or assigned shall be subject to the same conditions, terms, restrictions, and limitations of this Act: *Provided,* That the limitations set forth in this section shall not apply to: (a) any transfer or issuance of shares of stock in the implementation of the requirement for the dispersal of the grantee's, its successors' or assignees', ownership pursuant to Section 18 of this Act; (b) any transfer or sale of shares of stock to a foreign or local investor or investors; (c) any issuance of shares to any foreign or local investors pursuant to or in connection with any increase in the grantee's, its successors' or assignees', authorized capital stock which shall result in the dilution of the stockholdings of the grantee's, its successors' or assignees', then existing stockholders; (d) any combination thereof where such transfer, sale or issuance is effected in order to enable the grantee, its successors or assignees, to raise the necessary capital or financing for the provision of any of the services authorized by this Act and/or to carry out any of the purposes for which the grantee, its successors or assignees, has been incorporated or organized; and (e) any sale, transfer or assignment by the grantee, its successors or assignees, in favor of an affiliate whose controlling interest is owned by the same parent corporation of the rights and privileges set forth in this section and in Sections 1, 6, 8, 15, 16, and 17 relative to the construction, acquisition, ownership, leasing, operation, development, or management of the Airport City: *Provided, finally,* That any such transfer, sale or issuance is in accordance with any applicable constitutional limitations.

SEC. 15. *Right-of-Way.* – The grantee, its successors or assignees, in accordance with existing laws and local ordinances, shall have the power to acquire either by purchase, negotiation, expropriation or condemnation proceedings, any private lands within or adjacent to the premises of the airport for the following purposes: (1) acquisition and consolidation of lands for the development of the airport and the Airport City; and (2) acquisition

of right-of-way to the airport and the Airport City. Any provision of existing laws, ordinances, executive orders, rules or regulations to the contrary notwithstanding, the lands within the political jurisdiction of Barangays Taliptip and Bambang that will comprise the airport and the adjacent Airport City, and the right-of-way thereto, are hereby declared as agricultural, and are hereby converted and reclassified as mixed-use commercial and/or industrial, and may be used by the grantee, its successors or assignees, for industrial, commercial and other lawful purposes.

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

After the ten-year construction period and during the remaining term of this franchise, the grantee, its successors or assignees, shall be exempt from income taxes and taxes on real estate, buildings and personal property, levied, established or collected, or may be levied, established or collected, by any city, municipal, provincial or national authority. However, such exemption from income taxes and taxes on real estate, buildings and personal property shall expire as soon as it is determined by the Bureau of Internal Revenue (BIR) that the grantee, its successors or assignees, has fully recovered its investment cost on the airport and on the Airport City, whereupon the grantee, its successors or assignees, shall be subjected to all taxes under the National Internal Revenue Code of 1997, as amended, and the Customs Modernization and Tariff Act.

SEC. 17. *Revenue Sharing with the Government.* – During the term of this franchise and after the BIR has determined that the grantee, its successors or assignees, has fully recovered

its investment cost on the Airport City, the grantee, its successors or assignees, shall be entitled to generate income from the Airport City equivalent to a project Internal Rate of Return (IRR) of twelve percent (12%) per annum. Any amount in excess of the twelve percent (12%) IRR of the Airport City shall be remitted to the National Government.

The IRR of the Airport City shall be reckoned and calculated within three (3) months after the BIR determined that the grantee, its successors or assignees, has fully recovered its investment cost on the Airport City. The grantee, its successors or assignees, shall remit the share of the National Government immediately after the IRR of the Airport City has been determined.

SEC. 18. *Dispersal of Ownership.* – In accordance with the constitutional provision to encourage public participation in public utilities, the grantee, its successors or assignees, shall offer at least twenty percent (20%) or a higher percentage that may hereafter be provided by law of its outstanding capital stock in any securities exchange in the Philippines within five (5) years from the determination of the BIR that the grantee, its successors or assignees, has fully recovered its investment cost: *Provided,* That in cases where public offer of shares is not applicable, other methods of encouraging public participation by citizens and corporations operating public utilities must be implemented. Noncompliance therewith shall render the franchise *ipso facto* revoked.

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

SEC. 20. *Penalty Clause.* – Failure of the grantee, its successors or assignees, to submit the requisite annual report to Congress shall be penalized by a fine of One million pesos (P1,000,000.00) per working day of noncompliance. The fine shall

be collected by the CAAP from the delinquent franchise grantee, its successors or assignees, separate from the reportorial penalties imposed by the CAAP and the same shall be remitted to the Bureau of the Treasury.

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

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

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

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

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

Approved,

VICENTE C. SOTTO III
President of the Senate

LORD ALLAN JAY Q. VELASCO
Speaker of the House of Representatives

This Act which originated in the House of Representatives was passed by the House of Representatives on September 7, 2020, amended by the Senate of the Philippines on October 12, 2020, and which amendments were concurred in by the House of Representatives in a special session on October 16, 2020.

MYRA MARIE D. VILLARICA
Secretary of the Senate

JOCELIA BIGHANI C. SIPIN
Secretary General
House of Representatives

Approved:

Lapsed into law on DEC 2 0 2020
without the signature of the Presi
dent, in accordance with Article VI,
Section 27 (1) of the Constitution

RODRIGO ROA DUTERTE
President of the Philippines

O