

Joint Foreign Chambers of the Philippines

American Chamber of Commerce of the Phils., Inc. ♦ Australian-New Zealand Chamber of Commerce (Phils.), Inc.
Canadian Chamber of Commerce of the Phils., Inc. ♦ European Chamber of Commerce of the Phils., Inc.
Japanese Chamber of Commerce & Industry of the Phils., Inc. ♦ Korean Chamber of Commerce of the Phils., Inc.
Philippine Association of Multinational Companies Regional Headquarters, Inc.

October 9, 2018

REP. JESUS SACDALAN

Chairperson
Committee on Government Enterprises and Privatization
House of Representatives
Quezon City

Dear Chairperson Sacdalan:

The Joint Foreign Chambers of Commerce of the Philippines (JFC) writes to support the passage of a bill creating an independent airport authority as contained in House Bills 6327 and 7306. The airport authority or corporation will be an independent entity managing the Civil Aviation Authority of the Philippines' (CAAP) current functions of planning, developing, and maintaining all airports and regulating privatized airports. Enactment of this bill is recommended in the JFC's *Arangkada* Airport policy brief in February 2017 (see attached).

Under Republic Act 9497, CAAP was created as an independent regulatory body. However, while RA 9497 abolished the Air Transportation Office (ATO), the commercial and investigatory functions of the ATO remained as part of CAAP. Thus, CAAP has conflicting responsibilities as regulator, operator, and investigator. These conflicts have made the agency weak as a regulator and ineffective as an operator of airports.

As a regulator, CAAP is responsible for non-economic regulatory oversight, especially safety. It is tasked with certifying the safety of aerodromes – air traffic control, airports, installations, crash, and re-equipment. It also issues licenses and regulates air operators, aircraft, pilots, and air traffic controllers. Through the conduct of safety oversight, CAAP's main role should be to ensure that service providers and operators comply with regulations i.e. operational procedures, safety performance, data accuracy and promulgation and reporting and pursue high safety and security levels/standards.

In contrast, however, the current set up is one where the CAAP regulates what it also operates, i.e. direct operations of services (air traffic and air navigation services) and aerodromes, thereby creating conflicts of interest. By virtue of Section 78 of RA 9497, CAAP performs functions such as balancing service revenues and costs, forecasting or projecting market sizes, and sourcing and providing funds for new airports or expansion of existing ones—over and above its safety oversight functions.

Given the milestones achieved by the industry in 2014 (i.e. addressing the ICAO audit findings, the upgrade to Category 1 by the US FAA, and removal of Philippine carriers from the European Union (EU) blacklist), CAAP needs to be strengthened as a regulator and to be provided with funds to develop the technical capacity of its staff and officials and to invest in necessary infrastructure to promote safety on the ground and in the skies. Senate Bill 1442 on CAAP reform intended for this purpose is pending in the Public Services Committee.



AMERICAN



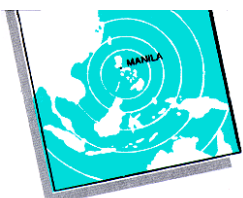
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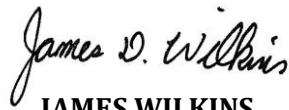
PAMURI

The separation of the regulator and operator within CAAP can be achieved thru the creation of a Philippines Airport Authority (or Corporation) and/or independent authorities for bigger airports or groups of airports as envisioned in the aforementioned bills.

The enactment of this bill which seeks to introduce sustainable and lasting reforms will certainly make the country more competitive, safer, and contribute tremendously in achieving the country's tourism targets.

The JFC is a coalition of the American, Australian-New Zealand, Canadian, European, Japanese, Korean chambers, and PAMURI. We represent over 3,000 member companies engaged in over US\$ 100 billion worth of trade in goods and services and some US\$ 30 billion of investment in the Philippines. The JFC supports and promotes open international trade, increased foreign investment, and improved conditions for business to benefit both the Philippines and the countries the JFC members represent.

Very truly yours,



JAMES WILKINS
President
American Chamber of Commerce
of the Philippines Inc.



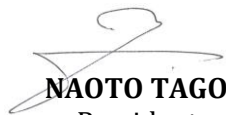
DANIEL ALEXANDER
President
Australian-New Zealand Chamber
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JULIAN PAYNE
President
Canadian Chamber of
Commerce of the Philippines



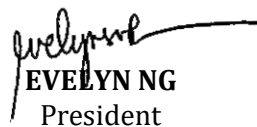
GUENTER TAUS
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HO-IK LEE
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EVELYN NG
President
Philippine Association of
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Attachment: as stated.

cc: Sen. Richard J. Gordon
Chairperson, Senate Committee on Government Corporation