

**[RESOLUTION NO. 32 (BM 03-05-25-2018),
September 04, 2018]**

**GUIDELINES ON CAPITAL AND OPERATIONAL REQUIREMENTS
FOR THE GRANT OF CERTIFICATE OF PUBLIC CONVENIENCE AND
NECESSITY**

*Adopted: 25 May 2018
Date Filed: 04 September 2018*

WHEREAS, Republic Act 776, as amended, otherwise known as the "Civil Aeronautics Act of the Philippines, authorizes the CAB to make and amend such general and special rules, regulations and procedures to carry out the provisions of RA 776, Section 10 (B) thereof, provides, to wit:

SECTION 10. Powers and duties of the Board. B) The Board may perform such acts, conduct such investigations, issue and amend such orders, and make and amend such general and special rules, regulations, and procedures as it shall deem necessary to carry out the provisions of this Act.

WHEREAS, the Board sees the necessity to continuously review and revise existing policies to keep abreast with developments in civil aviation and to ensure that entities intending to operate air transport services, whether scheduled or non-scheduled have proven capacity and capability to operate the services applied for;

WHEREAS, the Board by reason of public interest safety, and to prevent proliferation of "paper airlines" which puts the Philippine civil aviation industry in a bad light;

NOW, THEREFORE, the Board **RESOLVED,** as it hereby **RESOLVES** to adopt the following guidelines, in addition to existing requirements, in granting permits to domestic carriers intending to operate scheduled/ non-scheduled domestic/ international air transportation services:

I. **Coverage:** This Guidelines shall apply to all domestic carriers, in addition to the requirements of this Board, applying for an original, and as maybe applicable, renewal of Certificate of Public Convenience and Necessity to Operate:

- a. Domestic Scheduled
- b. Domestic Non-scheduled
- i. Agricultural Air Spraying Services
- c. International Scheduled, and
- d. International Non-scheduled

II. Capitalization Requirement

a. Scheduled Air Transport Services

1. Domestic : 300M
2. International : 800M

b. Non-scheduled

1. Domestic
 - i. Air Taxi : 25M
 - ii. Agricultural Air-spraying : 10M
2. International Non-Scheduled : 150M

III. Operational Requirement:

a. Domestic Air Transport

i. An applicant-carrier securing a permit to operate Domestic Non-scheduled Air Transport Services shall have at least one (1) serviceable aircraft duly registered and certified Airworthy by the Civil Aviation Authority of the Philippines (CAAP) and capable of providing the services applied for. It shall have in its employ Pilot/s and/ or crew duly rated and licensed by the Civil Aviation Authority of the Philippines.

ii. An applicant-carrier securing a permit to operate Domestic Scheduled Air Transport Services shall have at least two (2) serviceable aircraft, duly registered and certified airworthy by the Civil Aviation Authority of the Philippines, and capable of providing the services applied for. It shall have in its employ Pilot/s and/or crew duly rated and licensed by the Civil Aviation Authority of the Philippines

b. An applicant-carrier securing a permit a permit to operate International Non-scheduled air transport services:

i. must have a valid permit or Certificate of Public Convenience and Necessity (CPCN) to operate domestic scheduled and/or domestic non-scheduled air transport services;

ii. shall have been in continuous operation of domestic scheduled and/ or domestic non-scheduled air transport services for at least one (1) year; and

iii. must at least have two (2) serviceable aircraft in its fleet duly registered and certified airworthy by the Civil Aviation of the Philippines, capable of operating non-scheduled international/ regional routes, provided that the required number of aircraft shall be increased, depending on the routes applied for and the frequency thereof

c. An applicant-carrier securing a permit to operate International Scheduled air transport services:

i. must have a valid permit or Certificate of Public Convenience and Necessity (CPCN) to operate either a Domestic Scheduled Service and/ or Non-scheduled International air transport;

ii. shall have been in continuous operation of Domestic Scheduled and/or International Non-scheduled air transport services for at least one (1) year; and

iii. must at least have two (2) serviceable aircraft duly registered and certified airworthy by the CAAP, and capable of operating scheduled international/ regional routes; provided that an additional aircraft is acquired or leased in the immediately succeeding year of operation to ensure that its services are not disrupted. This does not preclude the airline from acquiring more aircraft.

IV. That, the required prior and continuous domestic operations and/ or non-scheduled international operations stated in the immediately preceding paragraphs may be dispensed with, provided the applicant is able to prove that it has sufficient capital to start and sustain the operations applied for. In which case the paid-up capital and/or working capital required of the start-up airline, as provided in item II shall be equivalent to double the amount required under this Guidelines. Provided that, the applicant-carrier shall have the required number of aircraft, whether owned or leased, in its fleet. Provided further that, it has managerial and operational personnel with a good track record and have been engaged in the management and/ or operation of air transport services for at least five (5) years.

V. A determination of an applicant-carrier's financial requirement shall be based on its proposed operation. The determination of the applicant's total financial requirement is equal to the sum of:

a. its start-up costs;

b. its operating and overhead costs associated with operating the business for a 90-day period under conditions of optimum demand; and

c. for businesses already in operation, any owners' deficit, as reported in the applicant's audited balance sheet. The deficit that is reported for financial requirements purposes should be net of any start-up costs that have already been incurred and were included in arriving at the owner's deficit (i.e., start-up costs incurred on or before the audited balance sheet's fiscal year-end date).

An air carrier, already in operation, which has a negative working capital or is capital deficient, shall be required to submit a "Stockholder's Undertaking to Infuse Additional Capital" and to infuse the same within a period of one (1) year from the issuance of the said "Stockholder's Undertaking. Provided that, a "going-concern" assumption in its Audited Financial Statement shall not mean that the business will cease, but the air carrier shall be required to submit its plans and programs to address its losses as may be directed by the Board.

VI. The applicant-carrier must be able to prove that it has acquired or can acquire the necessary funding to meet the financial requirement. The applicant must demonstrate that:

a. it has, or can acquire, through a combination of equity and/ or debt, funds in an amount at least equal to the financial requirement/s as