

### ### Title

Philippine Airlines, Inc. vs. Civil Aeronautics Board and Grand International Airways, Inc.

### ### Facts

This case centers around a dispute involving Philippine Airlines, Inc. (PAL), the Civil Aeronautics Board (CAB), and Grand International Airways, Inc. (GrandAir). PAL filed a Special Civil Action for Certiorari and Prohibition under Rule 65 of the Rules of Court to prohibit CAB from exercising jurisdiction over GrandAir's Application for the issuance of a Certificate of Public Convenience and Necessity (CPCN). PAL argued that GrandAir did not possess a legislative franchise to engage in air transportation, which they claimed was a prerequisite for the issuance of a CPCN by CAB, according to Section 11, Article XII of the Constitution.

GrandAir, on November 24, 1994, applied for a CPCN with CAB, resulting in a Notice of Hearing set for December 16, 1994. PAL opposed this application on several grounds, including the jurisdiction of CAB to hear the application in absence of a legislative franchise. CAB denied PAL's opposition, citing jurisdiction under R.A. 776. Subsequently, CAB approved a Temporary Operating Permit for GrandAir, which PAL also opposed and later moved for reconsideration - both moves were denied by CAB.

PAL's petition to the Supreme Court contended that CAB overstepped its authority in accepting GrandAir's application and issuing a temporary permit since GrandAir lacked a legislative franchise.

### ### Issues

1. Whether the Civil Aeronautics Board (CAB) has jurisdiction to hear GrandAir's application for a Certificate of Public Convenience and Necessity or Temporary Operating Permit in the absence of a legislative franchise.
2. Whether a legislative franchise is an indispensable requirement for an entity to operate as a domestic air transport operator.

### ### Court's Decision

The Supreme Court dismissed PAL's petition for lack of merit. It was held that CAB does indeed have the authority to issue a Certificate of Public Convenience and Necessity or Temporary Operating Permit to a domestic air transport operator, such as GrandAir, even in the absence of a legislative franchise. The Court pointed out that nothing in the Constitution or R.A. 776 explicitly requires a legislative franchise for the operation of domestic air

transport services. The authority delegated to CAB by Congress through R.A. 776 includes regulating the economic aspects of air transportation and issuing necessary permits or certificates for operation. The Court underscored that Congress has delegated the function of regulating and authorizing operations of certain public utilities, including domestic air transport, to administrative agencies like CAB.

### ### Doctrine

This case establishes the doctrine that the Civil Aeronautics Board (CAB) has the authority to issue Certificates of Public Convenience and Necessity (CPCN) or Temporary Operating Permits to domestic air transport operators even in the absence of a legislative franchise. This doctrine reaffirms the principle of delegated legislative power to administrative bodies for the regulation of specific industries, emphasizing the role of specialized government agencies in economic regulation within their respective fields.

### ### Class Notes

- **\*\*Legislative Franchise vs. Administrative Authority\*\***: A legislative franchise is not an absolutely necessary prerequisite for operating domestic air transport services if the governing administrative body (CAB, in this case) has been delegated authority by Congress to issue operational licenses or certificates.
- **\*\*R.A. 776\*\***: Delegates the authority to CAB to regulate the economic aspect of air transportation, along with issuing, denying, or modifying Temporary Operating Permits or CPCNs, delineating the powers of administrative bodies over certain industries.
- **\*\*Delegation of Power\*\***: Congress can delegate the authority to grant operational licenses to administrative agencies, provided that such delegation sets specific limitations and guidelines to ensure regulation aligns with public interest and safety.

### ### Historical Background

The case reflects the evolving role of administrative agencies in economic regulation in the Philippines, where legislative delegation has become a practical necessity due to the complex nature of modern industries, such as air transportation. It underscores the balance between legislative authority and administrative expertise in ensuring public utilities serve the national interest and comply with safety and economic standards.