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Problems beset PHL air transport industry

THE Travel & Tourism Competitiveness Report released by the World Economic Forum at the Global Tourism Forum 2011 held in Andorra revealed that Switzerland, Germany and France are the countries that have the most attractive environments for developing the travel and tourism industry. Out of the 139 countries, the Philippines only ranked No. 94.

Our country's dismal performance does not come as a surprise, considering our low ratings in the travel and tourism regulatory framework, as well as in business environment and infrastructure. This bleak performance is further aggravated by pressing dilemmas that beset our travel industry.

On October 6 the Metropolitan Trial Court in Marikina City dismissed the P25.6-billion tax-evasion case against Chinese-Filipino business tycoon Lucio Tan and 69 co-accused. Notwithstanding this victory over nine counts of tax-evasion cases, the Lucio Tan-led Philippine Airlines (PAL) is in an economic turmoil.

With the ongoing strike of the members of the Philippine Airlines Employees Association (Palea), the flag carrier's operations are greatly hampered. This "impasse" was brought about by last week's implementation of the company's retrenchment of some 2,600 employees. The retrenchment program involved the closure of three departments categorized as "noncore" operations that are now outsourced to third-party service providers.

As expected, the management justified the mass layoffs as a cost-cutting measure and carried them out, notwithstanding the pendency of a legal dispute that arose from the unfair-labor practice case filed by Palea against PAL relative to the outsourcing issue.

The Second Division of the National Labor Relations Commission (NLRC) upheld PAL's stand that the issue on outsourcing should be resolved first before negotiations for a collective-bargaining agreement (CBA) with the union start. It must be emphasized that PAL's previous CBA proposal did not include employees to be retrenched, which Palea complained about. But the NLRC ruled that PAL did not violate the union's rights to bargain collectively.

In yet another PAL case, the Supreme Court surprisingly recalled its September 7, 2011, resolution in the case concerning the alleged illegal retrenchment of 1,400 flight attendants where it ruled with finality that the retrenchment was illegal. A reraffle of the case to a new justice/member in charge was directed as a result of the en banc (full court) resolution dated October 4, 2011, taking cognizance of a letter from PAL legal counsel Estelito Mendoza questioning the composition of the Supreme Court Second Division that handed down the earlier resolution.

Apart from the aforementioned legal battles involving our flag carrier, tax disputes also abound, adding burden to our problem-stricken air transport industry.

Last week KLM Royal Dutch Airlines, the sole carrier operating flights between Manila and Europe, expressed its intentions to cut the frequency of its flights to six weekly from seven, starting this month, as a result of the many taxes the Philippines has been imposing on carriers. To make matters worse, the US carrier Delta Air Lines, likewise, threatened to cut flights to the Philippines, echoing the same concerns over the common- carriers tax issue.

Steven Crowdey, first vice chairman of the Board of Airline Representatives, urged Manila to review its Common-Carriers Tax (3 percent of the gross receipts) and 2.5-percent Gross Philippine Billings Tax on all cargo and passenger revenue originating from the Philippines in an uninterrupted flight, regardless of the place of sale or issue of a ticket.

International air carriers complain that the Philippines is the only country that charges such taxes; other Asian countries offer incentives to foreign carriers. The International Air Transport Association also wrote the Civil Aviation Authority of the Philippines to urge it not to increase its telecommunications charges on foreign airlines.

Apparently, the clamor to review Philippine taxes being charged to foreign carriers have fallen on deaf ears as our government will now charge carriers a 12-percent value-added tax on crew accommodations starting this November 1, pursuant to Republic Act 9337, or the value-added tax law. This will likely be met with greater uproar from international airlines concerned.

Will the Philippine aviation industry be able to surmount all these tax and legal predicaments? Will our travel and tourism competitiveness improve? Let’s all hope for the best.

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