

AN ACT TO PROVIDE FOR THE REHABILITATION AND MODERNIZATION OF THE PHILIPPINE NATIONAL RAILWAYS BY AMENDING SECTIONS ONE, THREE, FIVE, NINE, ELEVEN, TWELVE, FOURTEEN, AND SEVENTE...

REPUBLIC ACT NO. 6366, August 16, 1971

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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section one of Republic Act Numbered Forty-one hundred fifty-six is hereby amended by inserting thereafter Section one-a which shall read as follows:

"SECTION 1-a. Statement of Policy.—The Philippine National Railways, being a factor for socio-economic development and growth, shall be a part of the infrastructure program of the government and as such shall remain in and under government ownership during its corporate existence. The Philippine National Railways must be administered with the view of serving the interests of the public by providing them the maximum of service and while aiming at its greatest utility by the public, the economy of operation must be ensured so that service can be rendered at the minimum passenger and freight prices possible."

SEC. 2. Section three of the same Act is hereby amended to read as follows:

"SEC. 3. Authorized Capital Stock of the Philippine National Railways.—The authorized capital stock of the Philippine National Railways shall be six hundred fifty million pesos divided into three million one hundred thirteen thousand common shares and one hundred thirty-seven thousand preferred shares, both with par value of two hundred pesos each, which shall include the present capitalization of the Philippine National Railways: Provided, That the increase in the authorized capital shall be fully subscribed by the Government: Provided, further, That the existing long term obligations of the Manila Railroad Company to the Government of the Philippines including its agencies or instrumentalities, in the amount of ninety-two million six hundred thousand pesos shall be converted into capital stocks of the Philippine National Railways and made a part of the subscription: Provided, still further, That the Philippine National Railways shall, aside from its authorized capital stock of six hundred fifty million pesos, receive from the Government of the Philippines the amounts allocated under Republic Acts Numbered Eighteen hundred sixty-seven, Sixteen hundred twenty-three, and Eighteen hundred one, for the construction of new railroad line to the Cagayan Valley, and to the Province of Sorsogon, and whenever economically and technically feasible, the rehabilitation of the Cabanatuan Line, respectively: And, provided, finally, That the additional amount of the one hundred twenty million pesos be set aside, and the entire amount or so much thereof as may be needed by the Philippine National Railways be made available to the Philippine National Railways at least one year before the completion of the Cagayan and/or Sorsogon construction projects, for the purchase of motive power, rolling stocks and other supplies for use in the new lines and for the Manila-Bulacan-Pampanga-Tarlac-Pangasinan-La Union Line and the reactivation and reconstruction of the old La Union-Baguio Line, it being specified that at least fifty million pesos of the authorized capital of the Philippine National Railways shall be invested as soon as practicable but not later than two years from the approval of this Act, for the purchase of motive power and rolling stocks for the railway project in Mindanao and five million pesos or so much thereof for the survey, economic and technical feasibility studies of said railway project, which shall be undertaken within six months from the

approval of this Act."

SEC. 3. Section three of the same Act is hereby further amended by inserting thereafter sections three-a, three-b, three-c and three-d which shall read as follows:

"SEC. 3-a. The unpaid subscription of the Government in the amount of P489,732,158.00 shall be paid as follows:

- the following obligations of the Philippine national railways to the Philippine government as of December 31, 1970, are hereby converted into common shares of stock to be held by the national government:

"(a) R & D Bonds 4% loan purchase in 1951 of ten (10) steam locomotives: Due May 15, 1996 P1,984,400.00

Outstanding Interest 1,038,082.24 P3,022,482.24

"(b) Loan acquired under R.A. No. 1000 P300,000.00

Outstanding interest 60,717.81 360,717.81

"(c) Promissory note of June 30, 1965, with 5% interest P3,300,000.00

Outstanding interest 981,123.30 P4,281,123.30

"(d) Franchise Tax liability

P3,404,712.05 P11,069,035.40

"2. The obligation of the Philippine National Railways to the Reparations Commission amounting to P15,712,029.74 as of December 31, 1970 is hereby converted into common shares of stock to be held by the Special Economic Development Fund of the National Government

P15,712,029.74

"3. The obligation of the Philippine National Railways to the Central Bank of the Philippines amounting to P19,127,438.43 as of December 31, 1970 is hereby converted into common shares of stock to be held by the National Government which shall assume payment of said obligation out of the profits of the Central Bank accruing to the General Fund, so much of which as may be necessary is hereby appropriated for the purpose

P19,127,438.43

"4. The following outstanding obligations of the Philippine National Railways under Indent Bid No. 17 are hereby converted into common shares of stock to be held by the National Government which shall assume payment of said obligation, and for this purpose so much as may be necessary is hereby appropriated from the 50% portion of the proceeds of the stabilization tax under Republic Act Numbered Sixty-one hundred and twenty-five, the provisions of paragraph (a) of Section four of said Act to the contrary notwithstanding:

In US Dollars In Philippine Pesos Estimated at P6.50 To \$1

FY 1972 \$1,789,000 P11,628,500

1973 1,726,000 11,219,000

1974 1,663,000 10,809,500

1975 1,600,000 10,400,000

1976 1,537,000 9,990,500

1977 1,475,000 9,587,500

1978 1,109,000 7,208,500

10,809,000 70,843,500 70,843,500.00

"5. The obligation of the Philippine National Railways to the Philippine National Bank amounting to P19,999,256.39 as of December 31, 1970 is hereby converted into common shares of stock to be held by the Philippine National Bank

P19,999,256.39

"6. The obligation of the Philippine National Railways to the Development Bank of the Philippines amounting to P18,925,405.74 as of December 31, 1970 is hereby converted into common shares of stock to be held by the Development Bank of the Philippines

18,925,405.74

"7. The following obligations of the Philippine National Railways to the Government Service Insurance System as of December 31, 1970:

"(a) Life and retirement insurance premiums—employer's and employees' shares

P25,247,641.81

"(b) Salary loan installments deducted from employee- borrowers

P1,421,138.14

"(c) Premiums for property insurance fund

731,220.20

P27,400,000.15

are hereby converted into preferred shares of stock with guaranteed dividends of 6% per annum, cumulative and redeemable during a period of five years, and fully guaranteed by the National Government.

27,400,000.15

"8. To finance the foreign exchange costs of the rehabilitation and selective modernization program of the Philippine National Railways, the sum of P124,491,250 is hereby appropriated from the Special Economic Development Fund under Republic Act Numbered Seventeen hundred and eighty-nine, as amended, and applied to the payment of the government subscription to common stock, as follows:

FY 1972 P46,800,000.00

1973 11,797,500.00

1974 26,763,750.00

1975 39,130,000.00

P124,491,250.00

Provided, That this appropriation or any part thereof may be substituted by equivalent allocation of capital goods from the dollar component of reparations, as follows:

FY 1972 \$7,200,000.00

1973 1,815,000.00

1974 4,117,500.00

1975 6,020,000.00

\$19,152,500.00 P124,491,250.00

"9. To finance the peso costs of the rehabilitation and selective modernization program of the Philippine National Railways, including working capital, the sum of P126,570,000 is hereby appropriated from the portions of the proceeds of the stabilization tax under paragraph (b) of Section four of Republic Act Numbered Sixty-one hundred and twenty-five, and applied to the payment of the government subscription to common stock, as follows:

FY Peso Cost Working Capital Total

1972 P13,107,500 P10,000,000 P23,107,500

1973 24,590,000 P10,000,000 34,590,000

1974 24,502,500 P10,000,000 34,502,500

1975 24,170,000 P10,200,000 34,370,000

86,370,000 P40,200,000 126,700,000

Provided, That any deficiency in the portions of the proceeds of the stabilization tax under paragraph (b) of Section four of Republic Act Numbered Sixty-one hundred and twenty-five is hereby appropriated from such funds in the National Treasury not otherwise appropriated, or from proceeds of bond issues, subject to the limitations and conditions as provided by existing law

126,570,000.00

"10. The remaining government subscription to common stock shall be paid as may hereafter be authorized by law

55,594,242.15

Total P489,732,158.00

"SEC. 3-b. the funds for the rehabilitation and selective modernization program shall be used exclusively for the following purposes and never to pay for obligations already existing at the time of the approval of this amendatory act:

"1. The purchase of additional motive power, motor cars, passenger cars, freight cars, baggage cars, cabooses, wrecking cranes and the necessary spare parts; and/or the rehabilitation of rolling stock;

"2. The improvement of work shops and line sheds such as passenger and freight car repair shops, storage

yards, and shed-3;

"3. The improvement of tracks and structures such as rail replacement, ties, tie plate installation and replacement, ballast replacement, and slide and washout protection, improvement of bridges and culverts, and station buildings and their premises;

"4. The acquisition of tools and equipment necessary for maintenance and electrical purposes;

"5. The improvement or replacement of signal, communication and electrical equipment;

"6. The procurement of goods handling equipment; and

"7. Working capital.

"Within forty-five days after the opening of the annual regular session of the Congress of the Philippines, the Philippine National Railways shall submit to both Houses of Congress a report of its activities of the past year and a program for its activities for the next succeeding year, with particular emphasis on, but not limited to, the use of its capital for the purposes required in the herein section, and the establishment and use of the cash depreciation reserve under Section three-d, as well as the management audit required under Section eleven, together with such other data which the proper committees of Congress may require.

"SEC. 3-c. The corporation shall operate and maintain the Luzon Bus Line and Benguet Auto Line and as soon as practicable extend the services of these firms to provinces adjacent to those that are traversed by these railroad lines. Provided that as soon as possible, the corporation shall sell such surplus assets and properties, including realty, of the Luzon Bus Line and the Benguet Auto Line as shall not be necessary to or convenient for the operation of the corporation. The determination of what assets are to be sold may be made only in a regular meeting of the Board of Directors at which all members shall be present, with proper notice, supported with proper recommendations of the technical staff, that sale of such assets shall be taken up during the meeting; and must be approved by the affirmative votes of at least eight members. A description of the assets to be sold, the appraised value thereof, and the names of the directors voting for or against such sale, or abstaining from voting, shall be published in at least two (2) newspapers of national circulation within two (2) weeks after the decision of the board has been reached. All sales of real property, and of equipment with an appraised value of fifty thousand pesos or more, shall be by public auction; and the Auditor General is hereby authorized to promulgate rules and regulations to govern such sale in order to prevent collusive and fraudulent practices and to insure that the best price will be obtained for assets or property sold. A report of all invitations to bid and the result thereof shall be submitted to Congress not later than thirty (30) days after the bids shall have been opened; and such report shall be public record.

"SEC. 3-d. The Philippine National Railways is hereby required to earmark no less than seven percent of its annual gross income as cash reserve for depreciation of its equipment, which reserves shall be in the nature of a trust fund to be deposited in a bank or banks owned, controlled or supervised by the Government and can be used only for the purpose of replacement, additions and betterments, or major repair of said equipment, without prejudice to the use of any other kind of fund for any of the same purposes. The corporation is likewise required to earmark no less than one-half of one per cent of its annual gross income as cash reserve to be used for minor repair of its equipment, to be deposited as trust fund in any bank or banks owned or controlled by the Government, without prejudice to the use of any other kind of funds for the same purpose. Equipment is hereby denned as the rolling stock devoted to rail transportation service and related services such as steam, electric or diesel locomotives and other forms of motive power, passenger-train car, freight-train cars, work equipment, floating-equipment, and the necessary appurtenances, furniture, and fixtures thereof. Additions are hereby defined as additional equipment. Betterments are improvements of parts (minor items) of existing equipment through the substitution of superior parts for inferior parts replaced."

SEC. 4. Section five of the same Act is hereby amended to read as follows:

"SEC. 5. Board of Directors, Composition and Appointment.—The corporate powers of the corporation shall be vested in and exercised by a Board of Directors of eleven members consisting of a chairman, vice-chairman and other members, one of whom shall be recommended by the minority party, who shall be appointed by the President of the Philippines with the consent of the Commission on Appointments, except that the General Manager shall be ex-officio vice-chairman. The members of the Board need not be stockholders of the corporation but shall possess technical competence in railroad management. The first members of the Board shall serve as designated by the President in their appointments for terms of one, two, and three years, respectively, from date they qualify and assume office, but their successors shall be appointed for terms of three years, except that any person chosen to fill a vacancy shall serve for the unexpired term of the member whom he succeeds: Provided, That the representative of the minority party shall hold office at the pleasure of the minority party. For actual attendance of meetings, the chairman and the regular members shall receive a per diem of one hundred pesos: Provided, That the traveling expenses, allowances, and other fringe benefits shall not exceed one thousand pesos a month for each regular director and two thousand pesos for the chairman."

SEC. 5. Section nine of the same Act is hereby amended to read as follows:

"SEC. 9. Managing Head.—The management of the corporation shall be vested in the General Manager, who shall possess technical competence in railroad management, hold office for a term of eight years without reappointment and who shall be removable for cause. He shall be appointed by the President of the Philippines with the consent of the Commission on Appointments. In the performance of his functions regarding transportation and marketing engineering, finance, and administration, he shall be assisted respectively by four assistant general managers to be appointed by him as soon as the reorganization plan is approved by the President as provided in "fiction six hereof on the basis of merit from among the personnel of the corporation who have been employed therein for no less than five years prior to said appointment. Said assistant general managers shall be removable for cause."

SEC. 6. Section eleven of the same Act is hereby amended to read as follows:

"SEC. 11. Appointment and Promotion.—In the appointment and promotion of officers and employees, merit and efficiency shall serve as basis, and no political test or qualification shall be prescribed and considered for such appointments or promotions. Said officers and employees shall fall under the exempt class of the civil service. As soon as possible after the approval of the herein amendatory Act and periodically thereafter, the corporation shall conduct a management audit of all its personnel and shall dismiss such personnel who, under such audit and after due process, have been found to be inefficient, dishonest or unnecessary to the management of the corporation. The corporation is further empowered to hire technicians, Filipinos or otherwise, whose services are necessary in rehabilitating the corporation. Within one year after the approval of this Act the corporation shall submit to the President of the Philippines a reorganization plan to streamline the organizational structure of the corporation."

SEC. 7. Section twelve of the same Act is hereby amended to read as follows:

"SEC. 12. Exemption from taxes, duties, and port charges or dues, customs bonds and port charges.—The corporation is hereby exempt from payment of all taxes of every name nature—municipal, city, provincial or national—upon its capital stock, franchises, right of way, earnings, and all other property owned or operated by it and all import duties on all railway materials, rolling stocks, spare parts, supplies and equipment imported in the Philippines for and/or by the said corporation, and this exemption shall extend to wharfage dues, storage charges, arrastre and shipside charges, and special duties on such importations, and other port charges upon the carrying vessels whose entire cargo consists of materials for the construction of its projects and rehabilitation of its lines, facilities and to such proportion of the prescribed port charges on other vessels as the tonnage of materials for such constructions or equipment may bear to the tonnage of the entire cargo of the vessel; and such exemption shall further extend to the filing of general importer's and general documentary bonds and warehouse bonds for the operation of its warehouses, whether general bonded warehouses or general order

store."

SEC. 8. Section fourteen of the same Act is hereby amended to read as follows:

"SEC. 14. Legal Department.—Any provision of law or executive order to the contrary notwithstanding, the Philippine National Railways shall have its own legal department which shall assist and coordinate with the Office of the Government Corporate Counsel. The chief and members of the legal department shall be appointed by the General Manager with the approval of the Board of Directors."

SEC. 9. Section seventeen of the same Act is hereby amended to read as follows:

"SEC. 17. Strikes during national emergency.—The provisions of law to the contrary notwithstanding, in cases of national emergency, or when in the opinion of the President of the Philippines, the national security or interest is in imminent danger, employees and laborers of the corporation shall not strike for the purpose of securing changes or modification in their terms and conditions of employment during said period of emergency: Provided, however, That during the implementation of the PNR Rehabilitation and Modernization Program, management and labor should always strive to maintain industrial peace by availing of and exhausting all methods of resolving all labor disputes to ensure the continuous, effective and successful implementation of the Program: Provided, further, That the Philippine National Railways may enter into collective bargaining agreements, one for personnel of supervisory rank and the other for personnel of non-supervisory rank regardless of the number of recognized unions which may be or might have been organized therein."

SEC. 10. This Act shall take effect upon its approval.

Approved, August 16, 1971.

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