

AN ACT CREATING THE SULU DEVELOPMENT COMPANY, PRESCRIBING ITS POWERS, FUNCTIONS AND DUTIES, AND APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES.

REPUBLIC ACT NO. 6042, August 04, 1969

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

SECTION 1. Short Title.— This Act shall be known as the "Sulu Development Act of 1969."

SEC. 2. Declaration of Policy.— It is hereby declared to be the policy of Congress to foster the accelerated and balanced development of the Province of Sulu, within the context of national plans and policies for social and economic development through the leadership, guidance and support of the government. To achieve this end, it is recognized that a government corporation should be created to draw up the necessary plans for the development of the province; provide leadership in the setting up of pioneering or ground breaking industrial, agricultural and fishing enterprises; coordinate and integrate the diverse efforts of various public enterprises engaged in the development of the province, and whenever necessary, to undertake the activities essential to said development.

SEC. 3. Sulu Development Company created.— For the purpose of carrying out the declared policy in Section two hereof, there is hereby created a body corporate to be known as the "Sulu Development Company, (SUDECO)" for short and hereinafter known as the Company, which shall be organized within six months after the approval of this Act. The Company shall execute the powers and functions herein vested and conferred upon it in such manner as will, in its judgment, aid to the fullest extent possible in carrying out the aims and purposes herein set forth.

SEC. 4. Incorporation.— The members of the Board of Directors first appointed shall be deemed the incorporators and the incorporation shall be held to have been effected from the date of the first meeting of such Board.

SEC. 5. Location and Principal Office.— The Company shall have a principal office at a convenient place within the Province of Sulu, but it may have branch offices in other places as are necessary for the proper conduct of the business. After the selection of the location of the principal office or in the event it later makes a change in such location, the Company shall publish notice of such selection or change in a newspaper of national and general circulation.

SEC. 6. Purposes and Objectives.— The Company shall have the following purposes and objectives:

- a) To make a comprehensive and detailed survey of the physical, natural and human resources and potentialities of the archipelago, including its social conditions, values and institutions, and special ethnic and ideological problems, and on the basis thereof, to formulate an integrated, practical, feasible, workable and detailed plan and program within the context of the national plans and policies designed to hasten the agro-industrial and other development of the province. Such plan and program shall be submitted to the National Economic Council which shall act on them within ninety days from date of receipt thereof. If the National Economic Council fails to act on said plan and program within the period herein prescribed, the Company shall proceed to implement the same.
- b) To implement the approved plan and program of the National Economic Council for the economic and

social development of the Sulu Archipelago.

c) To set up the machinery to provide technical and advisory guidance and assistance to prospective and existing investors in the province. d) To make recommendations to the proper agencies as to the level of priority to be accorded government plans and projects in the area, and to agricultural, industrial and other projects soliciting or requiring direct help from or through the government or any of its instrumentalities.

e) To pass upon all plans, programs and projects proposed by local government agencies within the province, public corporations and enterprises, where such plans, programs and projects are related to the development of the archipelago. The Company shall determine whether such plans, programs and projects need to be approved by it under this provision, and the decision of the Company shall be final: Provided, That in carrying out its authority under this section, the Company may require any responsible official of local governments or public corporation to submit project studies and related data of plans, programs and projects to the Company: Provided, further, That disputes involving jurisdiction between the Company and any government instrumentality arising out of the integration or coordination of projects, operation and activities shall be settled by the President of the Philippines.

f) To engage in industry, agriculture, commerce, fishing or other activities within the archipelago which may be necessary or directly contributory to the social and economic development of the archipelago and, for this purpose, whether by itself or in cooperation with private persons or entities to organize, finance, invest in, extend loans to and operate subsidiary corporations: Provided, That the Company shall engage only, unless public interest requires otherwise, in those activities as are in the nature of new or pioneering ventures, or are clearly beyond the scope, capacity or interest of private enterprise due to considerations of geography, technical or capital requirements, return on investment, and risk.

g) To plan or undertake the voluntary readjustment, relocation or resettlement of population within the archipelago whenever deemed necessary and beneficial to the development of the archipelago.

h) To reclaim or undertake reclamation projects and/or acquire such bodies of land from the sea or rivers or lakes as may be necessary for agro-industrial ventures, for ports or seaports or for settlement as will accomplish the aims and purposes of the Company.

i) To make reports annually to the President and to Congress regarding its operations, with emphasis on financial conditions, activities undertaken, progress of projects and programs, operation of commercially operating plants and plans of action for the incoming years, including in such report, a general survey and analysis of the changes noted in the socio-economic conditions and problems of the archipelago, and appropriate administrative and legislative recommendations.

SEC. 7. Powers, Functions, etc.— The Company shall have the following powers and functions;

a) To succeed in its corporate name;

b) To sue and be sued in its corporate name;

c) To adopt, alter and use a corporate seal;

d) To adopt, amend and repeal its by-laws;

e) To enter into contracts of any kind and description;

f) To acquire, lease or hold such real and personal property as it may deem necessary and convenient in the transaction of its business and may lease, mortgage, sell or alienate or otherwise dispose any such personal or real property held by it;

g) To have the right of eminent domain whenever the Company deems it necessary and to acquire title to real estate by virtue thereof for the accomplishment of its purposes and objectives.

h) To enter into or make contracts, agreements or stipulations of any kind and description necessary and convenient in the exercise of its powers and in the performance of its functions;

i) To borrow funds from any local or foreign financial institutions to finance its projects and/or issue bonds: Provided, That in incurring indebtedness and floating bonds the same shall be approved by the President of the Philippines upon prior recommendations of the Secretary of Finance, the National Economic Council and the Monetary Board of the Central Bank of the Philippines: Provided, further, That the bonds issued under this provision shall not exceed ten million pesos, and no single issue shall exceed two and a half million pesos and

that further issues shall not be made if less than eighty per cent of the immediately preceding issue has been sold; Provided, further, That the form, rates of interest, the denominations, maturities, negotiabilities, convertibility, call and redemption features and all other terms and conditions for their issuance, placement, sale, servicing and redemption shall bear the approval of the Secretary of Finance in consultation with the Monetary Board;

j) For carrying out its business, or for the purposes of attaining or furthering any of its objectives, to perform any and all acts which a corporation, co-partnership or natural person is authorized to perform under the laws now existing or which may be enacted hereafter.

SEC. 8. Guarantee by the Government.— The Republic of the Philippines hereby guarantees the payment by the Company, of both the principal and interest of all loans, bonds, debentures, collaterals, notes or such other obligations issued by the Company by virtue of this Act, and shall pay such principal and interest in the event the Company fails to do so. In case the Company shall be unable to pay said principal and interest, the Secretary of Finance shall pay the amount thereof which is hereby appropriated, and there upon to the extent of the amount so paid, the Government of the Republic of the Philippines shall succeed to all the rights of the holders of such loans, bonds, debentures, collaterals, notes and other obligations, unless the sum so paid by the Republic of the Philippines shall be refunded by the Company.

SEC. 9. Capitalization.— The Company shall have an authorized capital of fifty million pesos which shall be fully subscribed and paid up by the Republic of the Philippines and authorized to be appropriated out of the general fund in the National Treasury not otherwise appropriated, and from the proceeds of the loans, bonds issues, and other sources of income of the National Government and included in the General Appropriations Act every year for a period of five years from the approval of the Act and shall be paid out according to the schedule as follows:

The sum of twenty million pesos upon approval of this Act;

The sum of ten million pesos for the succeeding fiscal year;

The sum of ten million pesos for the third year;

The sum of five million pesos for the fourth year;

The sum five million pesos for the fifth year;

The authorized capital of fifty million pesos shall constitute a revolving fund for financing the projects and other transactions and operations of the Company except as herein provided.

SEC. 10. Operating Expenses.— For operating expenses of the Company in fiscal year Nineteen hundred seventy to Nineteen hundred seventy-one, the sum of four hundred thousand pesos or so much thereof as may be necessary is hereby appropriated out of the proceeds from the sale at public auction by the Bureau of Customs of seized goods and/or articles smuggled or illegally imported into the Sulu Archipelago, said sum to be automatically programmed and released by the Budget Commission to the Company. Thereafter, the necessary amount for the Company's operating expenses shall be included in the General Appropriations Acts.

SEC. 11. Exemption from tax.— The Company shall be exempt from all taxes, licenses, fees and duties, whether national or local, incidental to all its operations: Provided, That its subsidiary corporations shall be subject to all general taxes, duties and fees five years after their establishment, under a graduated scale as follows: twenty per centum of all said taxes, fees and duties during the sixth year, forty per centum during the seventh year, sixty per centum during the eighth year, eighty per centum during the ninth year, and one hundred per centum during the tenth year, after said establishment. All notes, bonds, and debentures and other obligations, issued by the Company shall be exempt from all taxes, both as to principal and interest, except inheritance and gift taxes.

SEC. 12. Sinking Fund.— There shall be established a sinking fund in such a manner that the annual contributions thereto, accrued at such rate of interest as may be determined by the Secretary of Finance in consultation with the Monetary Board, shall be sufficient to redeem at maturity the bonds issued under this Act. The Central Bank of the Philippines shall keep said fund in custody and shall invest the same in such manner as the Monetary Board may approve, charging all expenses of such investment and crediting interest or other earnings thereon and other income belonging to the said sinking fund.

Provided, That administrative expenditures of the Central Bank, while administering the fund of the Agency, shall be chargeable against the earnings of the fund: And provided, further, That fees charged shall be based on the percentage earnings of the interests.

SEC. 13. Board of Directors; Composition.— The corporate powers of the Company shall be vested in and exercised by a Board of Directors, hereinafter referred to as the Board, which shall be composed of five members appointed by the President, with the consent of the Commission on Appointments, from among whom the President shall designate the Chairman of the Board.

SEC. 14. Acting Chairman.— In case of vacancy in the position of the Chairman and the President has not yet filled the same according to the preceding section, the Board may designate an acting chairman from among its members.

SEC. 15. Appointment and Tenure.— The term of office of the first members of the Board shall expire as designated by the President at the time of nomination: one at the end of the second year; two at the end of the third year; and two including the Chairman at the end of the fourth year. A successor to a member of the Board shall be appointed in the same manner as the original members, and shall have a term of office expiring four years from the date of the expiration of the term for which his predecessor was appointed.

SEC. 16. Vacancy before Expiration of Term.— Any member appointed to fill a vacancy in the Board occurring prior to the expiration of the term for which his predecessor was appointed shall serve only for the unexpired period.

SEC. 17. Effect of Vacancies; Quorum.— Vacancies in the Board, as long as there shall be three members in office shall not impair the powers of the Board to execute the transactions of the Company; three of the members of the Board in office shall constitute a quorum for the transaction of the business of the Board.

SEC. 18. Qualifications of Directors.— No person shall be appointed member of the Board of Directors unless he be a citizen of the Philippines, familiar with the social and economic conditions obtaining in the place, a permanent resident therein and possessed with sufficient experience and background in the management of agricultural, industrial or similar enterprises or in public administration. Economists, planners or other technical persons employed in other government agencies may be appointed as members of the Board and shall receive per diems therefor: Provided, That their appointments are made with the consent of their chiefs of office.

SEC. 19. Disqualification.— No member of the Board shall directly or indirectly engage in partisan political activities or practice any profession or business which may be affected by or related to the Company's functions and powers. For this purpose an elective official in any level of the government service is hereby disqualified as a member of the Board. Violation of this section shall constitute a ground for disqualification or dismissal.

SEC. 20. Conflict of Interest.— No member of the Board shall be personally interested, directly or indirectly, in any contract entered into by the Company or in any special privileges granted by the Company during his term of office. Violation of this prohibition shall constitute a ground for dismissal.

SEC. 21. Removal for Cause; Courtesy Resignation.— A member of the Board may be suspended or removed by the President only for cause. No member of the Board shall be required to submit courtesy resignation at any time during his term of office.

SEC. 22. Board Meetings.— The Board shall meet as frequently as is necessary, but shall meet at least once a month. The Board shall be convoked by the Chairman or upon written request by the majority of the members in office.

SEC. 23. Per Diems.— The members of the Board shall each receive for every meeting a per diem of one hundred pesos, and the Chairman a per diem of one hundred fifty pesos: Provided, That in no case will the total amount received by the Chairman exceed one thousand five hundred pesos and the members one thousand pesos in any one month. Members of the Board shall be reimbursed by the Company for actual expenses (including travel and subsistence expenses) incurred by them in the performance of their duties. Travel or representation expenses may be allowed the members of the Board not to exceed a total of two hundred fifty pesos per month for each member and five hundred pesos for the Chairman.

SEC. 24. General Manager.— There shall be a General Manager who shall execute the policies of the Board and the chief executive in charge of the day to day affairs of the Company. He shall be appointed by the Board and shall serve for an indefinite period, unless removed for cause.

SEC. 25. Qualifications of the General Manager.— No person shall be appointed General Manager unless he be of demonstrated executive competence and experience in the field of development, economics, public administration or the management of agricultural, industrial or commercial enterprises: Provided, however, That the General Manager shall be an ex-officio member of the Board, without the right to vote.

SEC. 26. Powers and Duties.— The General Manager shall have the following powers and duties:

- a) To prepare the agenda for the meetings of the Board and to submit for the consideration thereof the policies and measures which he believes to be necessary to carry-out the purposes and provisions of this Act;
- b) Subject to the approval of the Board, to fix the number and salaries of subordinate officials and employees appointed by him pursuant to Section thirty-two hereof;
- c) To execute and administer the policies and measures approved by the Board;
- d) To direct and supervise the operation and internal administration of the Company. The General Manager may delegate certain of his administrative responsibilities to other officers of the Company, subject to the rules and regulations of the Board;
- e) To exercise other powers as may be vested in him by the Board.

SEC. 27. Compensation.— The General Manager shall receive a compensation of twenty-four thousand pesos (P24,000) per annum, and may be granted such transportation or representation expenses not to exceed five hundred pesos per month, at the discretion of the Board.

SEC. 28. Residence.— The General Manager shall be required to establish his residence in the vicinity of the Company's principal office.

SEC. 29. Activities of the Company; Key Officials.— The activities- of the Company shall be carried out under the supervision of the General Manager, through the following administrative officials who shall be responsible directly to him.

- a) An Assistant General Manager with a compensation of eighteen thousand pesos per annum and who shall have such powers and duties as may be delegated to him by the General Manager, and shall act as General Manager in the absence of or during the temporary incapacity of the General Manager;
- b) A division chief who shall head the division of operations;

- c) A division chief who shall head the division of planning;
- d) A treasurer who shall head the finance and property division;
- e) A division chief who shall head the administrative division;
- f) A corporate counsel, with rank of division chief, to advise and represent the Company on legal matters, procedures and actions;
- g) Such other officials as the Board may consider necessary for the efficient conduct of the activities of the Company.

SEC. 30. Merit System.— All officials and employees of the Company shall be selected and appointed on the basis of merit and fitness in accordance with the comprehensive and progressive merit system to be adopted by the Company. Personnel including temporary workers shall be governed by such merit system.

SEC. 31. Appointment by the Board.— Officials from the rank of division head and above shall be appointed by the Board upon recommendation by the General Manager. The Board shall likewise fix the salaries of the officials it appoints, except that of the Assistant General Manager whose salary is fixed in Section twenty-nine (a) hereof: Provided, That no division head or any official of equal rank shall receive a salary exceeding fifteen thousand pesos per annum.

SEC. 32. Appointment by the General Manager.— Employees and officials below the rank of division chief shall be appointed by the General Manager upon written recommendation of the division chief concerned using as guide the standards set forth in the Company's Merit System: Provided, That the General Manager shall submit a quarterly report to the Board regarding personnel selection, placement, dismissals, resignations and training.

SEC. 33. Plans to be Formulated Within One Year.— Within one year upon its organization, the Company shall formulate and report to the President of the Philippines, its plans and recommendations for the accelerated growth of the archipelago, setting forth in said plans the respective roles to be played and projects to be executed by the private sector, the respective public agencies concerned and the Company itself.

SEC. 34. Approval of Plans.— Upon approval of the plans and recommendations referred to in the next preceding section, and in accordance with Section six (a) of this Act, the Company shall advise the respective agencies concerned to proceed with their respective plans and programs, ex-lend such assistance and guidance to the private sector as will enable them to execute their plans and programs and projects with the least possible delay, and on its own, implement the Company's share in the development plans. For this purpose, the President shall issue such executive or administrative orders and proclamations as may be necessary to reserve or transfer such lands or public property to the Company as may be needed by it to accomplish the purposes of this Act.

SEC. 35. Company Under the Office of Economic Coordination.— The Company shall be under the Office of Economic Coordination.

SEC. 36. Supplies and Service.— All purchases of supplies or contract for services, except personnel services, entered into by the Company, shall be done only after proper bidding is held in accordance with existing laws: Provided, That this bidding need not be undertaken, when:

- (1) an emergency, as certified by the General Manager, requires immediate delivery of the supplies or performance of the service, or
- (2) the aggregate amount involved in any purchase of the supplies or the procurement of services does not exceed five thousand pesos: Provided, further, That in comparing bids and in making awards, the Company shall consider such factors as compliance with specifications, cost and quality of supplies or services, the bidders' financial responsibility, experience and ability to furnish repairs or maintenance services, the period of delivery and performance offered, among others.

SEC. 37. Auditing.— The Auditor General shall be the ex-officio Auditor of the Company. He shall appoint a

representative who shall represent him as Auditor thereof. In the appointment, placement and removal of personnel, the Auditor General shall be guided by the merit system of the Company. The operation expenses of this Office and salaries and travelling expenses of the employees and officials thereof shall be fixed and paid by the Company. The Auditor of the Company shall have the rank of the Assistant General Manager and his salary and other benefits cannot be more than what said Assistant General Manager may receive from the Company. Such representative shall render a semestral and annual report on the financial conditions and operations of the Company: Provided, That before such reports are submitted the Company shall be given at least two months to examine the exceptions and criticisms of the Auditor of the Company and the Auditor General, as the case may be, point out or explain or answer any inaccuracies therein, if any, and file statement which shall be appended by the Auditor of the Company and the Auditor General to their respective reports.

SEC. 38. Separability Clause.—The provisions of this Act are hereby declared separable, and in the event any provision is held unconstitutional, it shall not affect the validity of the other provisions.

SEC. 39. Laws Repealed.— All Acts, executive orders, administrative orders, rules and regulations or parts thereof in conflict with this Act are hereby repealed or modified accordingly.

SEC. 40. Effectivity.— This Act shall take upon its approval.

Approved, August 4, 1969.

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