

## **AN ACT ESTABLISHING THE PHILIPPINE TOBACCO ADMINISTRATION, DEFINING ITS OBJECTIVES, POWERS AND FUNCTIONS, AND FOR OTHER PURPOSES.**

*REPUBLIC ACT NO. 1135, June 16, 1954*

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

### **ARTICLE I.—Establishment and Objectives**

**SECTION 1. Name and domicile.**—There is hereby created the "Philippine Tobacco Administration", called for short the PTA, which shall be organized within sixty days after the approval of this Act. It shall have its main office in the City of Manila, and such branches and agencies within and outside of the Philippines as may be necessary for the proper conduct of its business. The PTA shall be under the supervision of the Administrator of Economic Coordination.

**SEC. 2. Purposes and objectives.**—The PTA shall have the following purposes and objectives:

- To promote the effective merchandising of leaf tobacco in the domestic and foreign markets so that those engaged in the industry will be placed on a basis of economic security;
- To conduct researches on tobacco and tobacco products in all its phases, either agricultural or industrial, for the purpose of: (1) introducing into the agronomy and industry of tobacco such practices or processes as will increase the yield and quality of the leaves and products, thus reducing the cost of production but materially increasing the profit; (2) developing strains of different types of tobacco seeds through intensive breeding and selection from native and imported stocks; and (3) utilizing and converting factory by-products which are for the present allowed to go to waste into varied articles of economic value, thus achieving greater production and efficiency in the industry;
- To improve existing methods of manufacture of tobacco products, such as the preparation of aged leaves for manufacture and the improvement of existing blends of cigars and cigarettes;
- To establish and maintain efficient balanced relation between production and consumption of tobacco leaves and tobacco products, and such marketing conditions as will insure and stabilize the price at a level sufficient to cover the cost of production plus reasonable profit;
- To insure a permanent, sufficient and balanced production of tobacco leaves, tobacco products and by products for local consumption and exportation;
- To create warehousing and marketing facilities in suitable centers and supervise the selling and buying of leaves produced by the farmers on bidding basis;
- To supervise and control the classification and grading of leaf tobacco in the packing establishments of wholesale tobacco dealers, exporters, large plantation owners, and auction floors, in accordance with existing rules and regulations; and

- To improve the living and economic conditions of the laborers engaged in the tobacco industry by gradual and effective correction of the inequalities in the industry.

## ARTICLE II.-Powers

SEC. 3. Specific and general powers.—For carrying out the purposes mentioned in the preceding section, the FTA shall have the following powers:

- To establish, keep, maintain and operate such experiment stations and seed farms in any part of the Philippines as may be necessary to undertake extensive research In tobacco culture and curing, including studies on the feasibility of mechanizing tobacco farms, development of suitable tobacco varieties and strains suited for the different tobacco regions, control and eradication of tobacco pests and diseases, reduction of the cost of production, and the agronomical studies inherent with the culture of this crop;
- To establish, maintain and/or subsidize a chemical tobacco research laboratory for industrialization studies on processing, fermentation and aging to produce a quality leaf for the factories: Provided, That this phase of the work shall be under the care and supervision of the Institute of Science and Technology, which shall from time to time submit programs of studies to the PTA for approval and assignment of funds to carry out such program;
- To purchase, make or invent such machineries and materials, equipment and supplies as may be necessary to prosecute successfully its researches and experimental work;
- To expand and explore the domestic and foreign trades for tobacco leaves, tobacco products and by-products to assure mutual benefits to consumers and producers, and to promote and maintain a sufficient general production of tobacco leaves, tobacco products and by-products by an efficient coordination of the component elements of the tobacco industry of the Philippines;
- To buy, sell, assign, own, operate, rent or lease, subject to existing laws, machineries, equipment, materials, merchant vessels, rails, railroad lines and other equipment and materials necessary for the production, processing, manufacture, handling and transportation and warehousing of tobacco leaves, tobacco products and by-products;
- To grant loans and credits, on reasonable terms, to tobacco planters when it deems such loans advisable;
- To enter, make and execute contracts of any kind as may be necessary or incidental to the attainment of its purposes with any person, firm, or public or private corporation, with the government of the Philippines or of the United States, or of any state, or with any person therefrom, or with any foreign government with treaties with the government of the Philippines;
- To buy, process, and age, and sell all tobacco leaves, as well as stabilize and guarantee prices of just cured tobacco leaves, based on grades;
- To provide credit facilities to registered tobacco Planters directly or through credit cooperative associations or any other financial institutions;
- To promote, foster and encourage the organization cooperative associations among tobacco planters, producer or dealers;
- To act as agent, broker or commission merchant of producers' cooperative associations or act as tobacco manufacturers' agent;
- To do all such things, transact all such business perform such functions directly or indirectly necessary incidental or conducive to the attainment of the purposes of the PTA; and

- Generally, to exercise all the powers of a corporation under the Corporation Law, insofar as they are not inconsistent with the provisions of this Act.

#### ARTICLE III.—Governing Body

SEC. 4. Composition and appointment.—The powers of the PTA shall be vested in, and exercised by, a Board of Directors consisting of five members to be appointed by the President with the consent of the Commission on Appointments. The President of the Philippines shall appoint the Chairman of the Board from among its members who shall act as the General Manager. Of the five directors first appointed as above prescribed, the President of the Philippines shall designate one to serve for one year, one for two years, one for three years, one for four years, and one for five years; and thereafter, each director appointed shall serve for five years. Whenever a vacancy shall occur among the directors, the person appointed to fill it shall hold office for the unexpired term of the member whose place he is selected to fill. Any director shall be subject to removal by the President of the Philippines. Three members of the Board of Directors shall constitute a quorum for the transaction of business. Before entering upon the discharge of their duties, each of the directors shall take the oath prescribed by law. The members of the Board shall each receive a per diem of not to exceed twenty pesos for each day of meeting actually attended by them, except the General Manager who shall receive a salary of not to exceed twelve thousand pesos per annum: Provided, That the meetings of the Board shall not exceed four meetings a month: Provided, further, That the provisions of paragraph one—General Provision seven of Commonwealth Act Numbered Two hundred forty-six to the contrary notwithstanding, no officer or employee of the Government receiving a fixed compensation or salary from public funds and serving as director of the Administration shall be paid the per diem herein provided. Directors of the Administration shall not be allowed to receive more than one hundred pesos per month in per diem.

SEC. 5. Powers and duties of the Board of Directors.— The Board of Directors shall have the following powers:

- To prescribe, amend, modify or repeal by-laws, rules and regulations, not inconsistent with the provisions of this Act, governing the manner in which the general business of the PTA may be exercised, subject to the approval of the Administrator of Economic Coordination;
- To appoint and fix the compensation of the Assistant General Manager, subject to the approval of the Administrator of Economic Coordination and consent of the President of the Philippines, and to appoint and fix the compensation of the other officers of the PTA with the approval of the Administrator of Economic Coordination;
- To approve the annual budget of the PTA and/or such supplemental budgets thereof as may be submitted to the Board by the General Manager from time to time; and
- To perform such other duties as may be assigned to it by the President of the Philippines and/or by the Administrator of Economic Coordination.

#### ARTICLE IV.—Management

SEC. 6. Managing head.—The management of the PTA shall be vested in the General Manager.

SEC. 7. Powers and duties of the General Manager.—The duties of the General Manager shall be:

- To direct and manage the affairs of the PTA on behalf of the Board of Directors and subject to its control and supervision;
- To submit within sixty days after the close of the fiscal year an annual report to the Administrator of Economic Coordination, through the Board of Directors;

- To appoint and fix the number and salaries the approval of the Board of Directors, of such subordinate employees as may be necessary for the proper charge of the duties and functions of the PTA;
- To suspend or otherwise discipline, for cause, an subordinate employee of the PTA; and
- To perform such other duties as may be assign to him by the Board of Directors from time to time.

SEC. 8. Powers and duties of the Assistant General Manager.—The Assistant General Manager shall assist the General Manager and shall perform such other duties as may be assigned to him by the General Manager and/or the Board of Directors. The Assistant General Manager shall be at the same time head of one of the departments of the PTA, to be designated by the Board, and shall be technically trained along tobacco work. He shall act as General Manager in case of temporary absence or incapacity of the latter, and when the Assistant General Manager acts as General Manager he shall sit in all meetings of the Board of Directors and participate in the deliberations, but without the right to vote.

#### ARTICLE V.—Appointments and Promotions

SEC. 9. Basis.—In the appointment and promotion of officers and employees of the PTA, merit, seniority and efficiency shall serve as basis, and no political test or qualification shall be prescribed and considered for such appointments and promotions. Any person appointed by the Board or by the General Manager in violation of this prohibition shall be removed by the Administrator of Economic Coordination, and the official responsible for such violation shall be suspended or removed from office by the President of the Philippines.

SEC. 10. Applications of Civil Service Law and Rules.— All officers and employees of the Administration shall be subject to the Civil Service Law and Rules, except those whose positions may, upon recommendation of the Board of Directors, be declared by the President of the Philippines policy determining, primarily confidential or technical in nature.

#### ARTICLE VI.—Books of Accounts, Purchases and Contracts

SEC. 11. Books of Accounts.—The PTA shall, at all times, maintain complete and accurate books of accounts, which shall be segregated under five main accounts, namely:

- Account No. 1, pertaining to PTA activities in the stabilization of prices;
- Account No. 2, pertaining to PTA activities in the development and improvement of production;
- Account No. 3, pertaining to PTA activities in the promotion of economic and social conditions of the people engaged in the production of tobacco;
- Account No. 4, pertaining to production of tobacco leaves ready for manufacture, industrialization programs, etc.; and
- Account No. 5, pertaining to development of trade within and outside of the Philippines.

SEC. 12. Purchases and contracts.—All purchases and contracts for supplies or services, except for personal services, made by the PTA, shall be made after advertising in such a manner and at such times sufficiently in advance of opening of bids as the Board shall determine to be adequate to insure notice and opportunity for competition: Provided, That advertisement shall not be required, and purchases may be made in the open market in the manner common among business houses: (1) when an emergency requires immediate delivery of the supplies or performance of the service; or (2) when repair parts, accessories, supplemental equipment, or services are required for supplies or services previously furnished or contracted for; or (3) when the aggregate amount involved in any purchase of supplies or procurement of services does not exceed five hundred pesos: Provided,

further, That in comparing bids and in making awards, the Board may consider such factors as relative quality, adaptability of supplies or services, the bidders' financial responsibility, skill, experience, record or integrity, ability to furnish repairs and/or maintenance services, the time of delivery or performance offered, and whether the bidder has with the specifications: Provided, further, That in c supplies may be procured from a government, domestic or foreign, and it can be established to the satisfaction of the PTA that the government price is the lowest possible, considering quality and period of delivery, purchases from such government may be made without public bidding.

#### ARTICLE VII.—Audit

SEC. 13. Personnel.—The Auditor General shall appoint a representative who shall be the Auditor of the PTA, and the necessary personnel to assist said representative in the performance of his duties. The salary of such auditor and the number and salaries of said personnel shall be determined by the Auditor with the advice of the Board of Directors. In case of disagreement, the matter shall be submitted to the President of the Philippines, whose decision shall be final. Said salaries and all other expenses of maintaining the Auditor's office shall be paid by the PTA.

SEC. 14. Report.—The financial transactions of the PTA shall be audited in accordance with law, administrative regulations, and the principles and procedures applicable to commercial corporate transactions. A report of audit for each fiscal year shall be submitted, within sixty days after the close of the fiscal year, through the Auditor General, to the Board of Directors of the PTA, and copies thereof shall be furnished to the President of the Philippines, the Administrator of Economic Coordination and the Presiding Officers of the two Houses of Congress. The report shall set forth the scope of the audit and shall include a statement of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expenses; a statement of sources and application of funds; and such comments and information as may be necessary, together with such recommendations with respect thereto as may be advisable, including a report of any impairment of capital noted in audit. The report shall also show specifically any program, expenditures or other financial transaction or undertaking observed in the course of audit which, in the opinion of the Auditor, has been carried on or made without authority of law and/or contrary to existing regulations, whether or not authorized by the Board of Directors.

#### ARTICLE VIII.—Funds

SEC. 15. Capitalization.—To carry out the purpose of this Act, there is created a special fund to be known as the "Tobacco Industry Promotion Fund" which shall be taken from taxes derived from the tobacco industry to be made available as follows: two million pesos, which is hereby appropriated, and, thereafter, an annual appropriation of two million pesos is authorized for a period of four years.

This Fund will be apportioned in the following manner: Twenty per cent will be spent for operating expenses; Seventy per cent will be used for tobacco trading; and Ten per cent for researches to improve the tobacco industry in all its phases.

There shall be added to the capital of this Philippine Tobacco Administration all the funds, assets and properties still available belonging to the defunct National Tobacco Corporation.

#### ARTICLE IX.—Dissolution and Liquidation

SEC. 16. Liquidation.—When the PTA is dissolved by law, it shall nevertheless continue as a body corporate for three years after the time of its dissolution, for the purpose of prosecuting and defending suits by or against it, and enabling it gradually to settle and close its affairs, and to dispose of and convey its properties, but not for the

purpose of continuing the business for which it was established. Upon dissolution of the PTA, a Board of Liquidators shall be appointed by the President of the Philippines to take charge of winding up its corporate affairs and effecting its liquidation, and all the transactions of this Board shall be subject to the supervision and control of the Administrator of Economic Coordination.

SEC. 17. Reversion to General Funds.—All fund suiting from the dissolution and liquidation of the as herein provided, shall revert to the general fund the National Government.

ARTICLE X.—Miscellaneous: Provisions

SEC. 18. Applicability of the Corporation law.—The provisions of the Corporation Law which are not inconsistent with the provisions of this Act shall be applicable to the PTA.

SEC. 19. Repealing clause.—All Acts, executive orders administrative orders, proclamations, rules and regulations, or parts thereof, inconsistent with any of the provisions of this Act are repealed or modified accordingly.

SEC. 20. Separability clause.—If any provision of this Act or the application of such provision to any person or circumstance is declared unconstitutional, the remainder of the Act or the application of such provision to other persons or circumstances shall not be affected by such declaration.

SEC. 21. Effectivity.—This Act shall take effect upon its approval.

Approved, June 16, 1954.

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