

CREATING THE PHILIPPINE NATIONAL LINES, DEFINING ITS POWERS AND FUNCTIONS, APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES.

PRESIDENTIAL DECREE NO. 900, March 04, 1976

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WHEREAS, it is the policy of the government to dispose of its shares in the Philippine National Lines, to the private sector at a propitious time;

WHEREAS, the government, cognizant of the vital role that shipping plays in the economic growth of the country, has given various incentives to Philippine shipping companies for the accelerated expansion and modernization of their fleet;

WHEREAS, despite these incentives given to the industry, private shipping companies have failed to expand and modernize their fleet due to the heavy capital requirement involved;

WHEREAS, statistics show that in 1974, the Philippine overseas fleet carried only a measly 7.8% of the country's foreign trade which accounted for a drain of some 600 million dollars representing freight payments to foreign flag carriers;

WHEREAS, the situation is expected to get worse in the years to come unless the government will take an active part by way of pioneering the operation of a national line that will augment but not compete with the fleet requirement of the Philippine international trade;

WHEREAS, such government involvement and initiative shall further the national objective and policy of developing national self-reliance, best serve the interest of national security, and facilitate the performance of other essential governmental functions;

WHEREAS, a well developed shipping industry shall serve to meet the market demands and service requirements of neighboring countries in Southeast Asia.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree the following:

SECTION 1. Creation of the PNL.—There is hereby created a body corporate and politic to be known as the Philippine National Lines, hereinafter referred to as PNL, which shall be governed by this Decree and its by-laws as authorized hereunder and shall have succession for a period of fifty (50) years from and after the date of approval of this Decree. The principal office of the PNL shall be located in a place to be determined by the Board of Directors.

SEC. 2. Purpose of the PNL.—The PNL, by itself or through its subsidiary/subsidiaries, shall undertake all manner of business activity for the establishment of a reliable shipping services that shall include but not be limited to:

- The ownership, lease, charter, management and operation of merchant vessels, whether for cargo or passengers on a scheduled, non-scheduled or charter basis on domestic and/or international scale;

- Ship brokerage and other related or supportive activities;
- The ownership, establishment, management and operation of shipbuilding and ship repair facilities in order to provide adequate services to the shipping industry.

SEC. 3. Powers of the PNL.—In order to accomplish the foregoing corporate purpose, the PNL shall be vested with the following powers:

- To prescribe, and thereafter to amend and repeal, its by-laws not inconsistent with this Decree;
- To adopt and use a seal and alter it when necessary;
- To sue and be sued in any court;
- To carry on any other lawful business whatsoever in pursuance of, or in connection with, the foregoing corporate purpose;
- To enter into, make, perform and carry out contracts of every kind and description for the foregoing corporate purpose with any person, firm or association or corporation, domestic or foreign;
- To have one or more offices in and outside of the Philippines, and to conduct its business and exercise its powers throughout and in any part of the Republic of the Philippines and/or in any or all foreign countries, states and territories;
- To acquire, hold, mortgage and alienate personal and real property in the Philippines or elsewhere;
- To purchase, hold, alienate, mortgage, pledge or otherwise dispose of the shares of the capital stock of, or any bond, security of, other corporations or associations of this or any other country, and while the owner of said stock, to exercise all the rights of ownership including the right to vote thereon;
- To borrow funds from any source, private or government, foreign or domestic;
- To invest, own or otherwise participate in equity in any establishment firm or entity engaged in the industry; to form, organize, invest in, establish and maintain subsidiary or subsidiaries;
- To exercise such powers and perform such acts as may be necessary to carry out the purpose for which the PNL was established or which from time to time may be declared by the Board of Directors to be necessary, useful, incidental or auxiliary to accomplish such purpose.

SEC. 4. Capital Stock Appropriation.—The PNL shall have a capital stock divided into FIVE MILLION no-par shares to be subscribed, paid for, and voted on, as follows:

- Two million shares of stock shall be subscribed and paid for the Government of the Republic of the Philippines. Such shares shall have an initial value of Forty Pesos (P40.00) per share and may be redeemed by the PNL and resold only to the National Government at re-issue value to be determined by the Board of Directors and approved by the President of the Philippines. For this purpose, the amount of EIGHTY MILLION PESOS out of the General Fund, not otherwise appropriated, is hereby appropriated for the payment of the two million shares subscribed by the Republic of the Philippines.
- One million shares of stock shall be subscribed and paid for by the National Development Company at issue value to be determined by the Board of Directors of the PNL.
- Subject to the approval of the President of the Republic of the Philippines, the remaining two million shares shall be subscribed to by the Government of the Republic of the Philippines or any of its national financial

institutions or government-owned or controlled corporations or the private sector to the extent of up to twenty-five (25%) per-centum of the capital stock at issue values to be determined by the Board of Directors of the PNL.

- Twenty-five percentum of the value of all stock subscribed under paragraphs (b) and (c), this section, shall be paid for at the time of subscription, and the balance thereof shall be subject to call upon a majority vote of the Board of Directors.

- The voting power pertaining to shares of stock subscribed by the Government of the Republic of the Philippines shall be vested in the President of the Philippines or in such persons as he may designate.

- The voting power pertaining to shares of stock subscribed by the National Development Company shall be vested in the Chairman of the Board of Directors.

- The voting power pertaining to shares of stock hereinafter subscribed by or transferred to national financial institutions or government-owned or controlled corporations or to the private sector shall be vested in the Chairman of their respective Board of Directors/Trustees, or in the absence of the Board of Directors/Trustees, in their respective chief executive official.

- Each share of stock shall represent one vote. Issuances or transfers of shares be allowed only upon offer of such shares for subscription or purchase having first been made to the Government of the Republic of the Philippines. Any agreement, contract, arrangement, scheme or plan that shall transfer ownership and voting rights over such shares such that the majority control by the National Government over the total number of voting shares of the PNL shall be impaired is prohibited.

SEC. 5. Authority for Fund Appropriation.—In addition to the appropriation of funds authorized under Section 4, paragraph (a), there are hereby set aside and appropriated from the General Fund, not otherwise appropriated, such amounts as may be necessary to pay for (1) the total reissue value of shares of stock whenever the same are resold by the PNL to the National Government under Section 4, paragraph (a), (2) any subscription of the National Government under Section 4, paragraph (c), and (3) any subscription of the National Government to the capital stock of subsidiaries of the PNL.

SEC. 6. Board of Directors.—The PNL shall be governed by a Board of Directors consisting of nine (9) members duly elected as hereinafter provided for terms of three (3) years who shall be paid per diem of Two Hundred Fifty Pesos for each session: Provided, That the first members and chairman shall be appointed by the President of the Philippines and shall serve for a term of one year or until their successors shall have been elected as hereinafter provided. In case of any vacancy in the Board the same shall be filled by the President of the Philippines for the unexpired term.

Annually on the first Tuesday in March, the stockholders shall meet to elect the members of the Board whose terms have expired, each stockholder or proxy to be entitled to as many votes as he may have shares of stocks. Immediately after the election, the directorate shall be organized as such and elect from amongst themselves a chairman. Provided, That no person shall be elected director unless he is a natural born citizen of the Philippines, not less than thirty-five years of age, of established integrity and has attained proficiency, expertise and recognized competence in one or more of the following: shipping, finance, economics, law business management, public utility or government administration.

SEC. 7. Functions and Duties of the Board of Directors. The general functions and duties of the Board of Directors shall be as follows:

- To prescribe and amend the by-laws of the PNL;

- To appoint and fix the salaries of such executive officers and other officials and employees as may be necessary for the management and internal administration of the PNL, except that the appointing power may be delegated by the Board to the Management of the PNL;
- To act as initial incorporators of any subsidiary formed by the PNL;
- To establish such number of Division and/or Departments in the PNL as may be necessary for the accomplishment of the corporate purpose;
- To constitute appropriate standing committees that it may deem necessary to effectively carry out its governing powers over the affairs and activities of the PNL;
- To submit to the President of the Philippines and to publish an annual report of the condition of the PNL on or before the 31st of March of each year;
- To perform such other functions and duties as may be necessary to accomplish the purpose of the PNL or to carry out its powers under this Decree and the by-laws prescribed thereunder.

SEC. 8. Auditor.—The Commissioner on Audit shall appoint, subject to the approval of the Board, a representative who shall be the Auditor of the PNL and such personnel as may be necessary to assist said representative in the performance of his duties. The salaries of the Auditor and his staff shall be approved by the Board. The Auditor of corporations owned or controlled by the PNL shall be appointed by their respective Board of Directors.

SEC. 9. Foreign Loans.—The PNL, through its President or any duly authorized representative, upon approval by the Board of Directors, is hereby authorized to contract loans, credits in any convertible foreign currency or capital goods, and indebtedness from time to time from foreign governments, or any international financial institution or fund sources, on such terms and conditions as it shall deem appropriate for the accomplishment of its purpose and to enter into and execute agreement and other documents specifying such terms and conditions.

Further, the President of the Philippines, by himself or through his duly authorized representative, is hereby authorized to negotiate and contract with foreign governments or any international financial institutions or fund sources, in the name and in behalf of the PNL, one or several loans, for the accomplishment of its purposes.

The President of the Philippines, by himself or through his duly authorized representative, is hereby further authorized to guarantee, absolutely and unconditionally, as primary obligor and not as surety in the name and in behalf of the Republic of the Philippines pursuant to loan agreements entered into with foreign governments or any international institutions or fund sources.

SEC. 10. Transfer of Ownership and/or Operation to the Private Sector.—The provisions of this Decree and the by-laws as authorized to be adopted thereunder notwithstanding, the Board of Directors may, subject to approval by the President of the Philippines, transfer to private ownership and or operation the PNL and any or all its subsidiaries when it shall appear that undue competition is being posed by the PNL to private shipping companies.

SEC. 11. Transitory Provisions.—The Chairman of the Board shall, within thirty (30) days from the date of his appointment, call for an organizational meeting of the Board in order that corporate business may immediately be commenced.

Pending the appointment of the necessary executive officers and personnel of the PNL, the Board shall be assisted by a technical staff to be designated by the Maritime Administrator from the MARINA and other government agencies. To defray the initial costs of operation therefor, there is hereby appropriated the amount of ONE MILLION PESOS (P1,000,000) for immediate release chargeable against the initial fund appropriation of the National Government as provided in Section 4, paragraph (a) hereof.

SEC. 12. Separability Clause.—Should any provision of this Decree be held unconstitutional, no other provision hereof shall be affected thereby.

SEC. 13. Repealing Clause.—All laws, decrees, executive orders, administrative orders, rules and regulations inconsistent herewith are hereby repealed, amended or modified accordingly.

SEC. 14. Effectivity.—This Decree shall take effect upon its approval.

Done in the City of Manila, this 4th day of March, in the Year of Our Lord, Nineteen Hundred and Seventy-Six.

(Sgd.)

FERDINAND E. MARCOS

President

Republic of the Philippines

By the President:

(Sgd.)

JACOBO C. CLAVE

Presidential Executive Assistant

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