

AMENDING CERTAIN SECTIONS OF REPUBLIC ACT NUMBERED FORTY-ONE HUNDRED AND FIFTY-SIX, ENTITLED "AN ACT CREATING THE PHILIPPINE NATIONAL RAILWAYS, PRESCRIBING ITS POWERS, FUNCTIONS...

PRESIDENTIAL DECREE NO. 741, July 03, 1975

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WHEREAS, under Republic Act Numbered Forty-One Hundred and Fifty-Six as amended by Republic Act Numbered Sixty-Three Hundred and Sixty-Six, it was declared as a national policy that the Philippine National Railways, being a factor for socio-economic development growth, shall (a) remain in and under government ownership during its corporate existence; (b) be administered with the view of serving the best interest of the public; and (c) while aiming at its greatest utility by the public, the viability of its operation must be ensured so that the service can be rendered at the minimum passenger and freight prices possible;

WHEREAS, it has been declared a national policy to give autonomy to the self-governing boards of government-owned or controlled corporations in the management and operation of their respective corporations;

WHEREAS, since transportation plays a vital role in the prosecution of the national effort for the social and economic development of the country, there arises an immediate need for the early completion of the rehabilitation and selective modernization of the facilities of the Philippine National Railways as provided for in Republic Act Numbered Sixty-Three Hundred and Sixty-Six;

WHEREAS, in view of the expanded role and participation of the Philippine National Railways in the total economic and social development of the country, and of its anticipated major role in the organization and operation of a centralized and integrated transport system in the country, it is imperative that abandoned line services be restored, existing line services be expanded and new lines or services be created;

WHEREAS, in order to facilitate the realization of the aforementioned declared policies and expeditiously attain the above-mentioned objectives, certain sections of Republic Act Numbered Forty-One Hundred and Fifty-Six as amended by Republic Act Numbered Sixty-Three Hundred and Sixty-Six should be amended.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby amend certain sections of the Charter of the Philippine National Railways, Republic Act Numbered Forty-One Hundred and Fifty-Six as amended by Republic Act Numbered Sixty-Three Hundred and Sixty-Six.

SECTION 1. Section 1 of Republic Act Numbered Forty-One Hundred and Fifty-Six as amended by Republic Act Numbered Sixty-Three Hundred and Sixty-Six is hereby amended to read as follows:

SECTION 1 Name, Duration and Domicile.—A Corporation to serve as the instrumentality of the Government of the Philippines in providing a nation-wide railroad and transportation system, is hereby created to be known as the Philippine National Railways, which shall exist for a term of fifty (50) years from the date of approval of this Act. It shall have its main office in the City of Manila, and shall have such branches and agencies within the Philippines as may be necessary for the proper conduct of its business. This Corporation shall be under the

Office of the President.

SEC. 2. Section 2 of Republic Act Numbered Forty-One Hundred and Fifty-Six as amended by Republic Act Numbered Sixty-Three Hundred and Sixty-Six is hereby further amended to read as follows:

SEC. 2. Purpose and Specific Powers.—The Philippine National Railways shall have the following purposes and specific powers: (a) To acquire and hold the assets of the Manila Railroad Company of the Philippine Islands, and to succeed to, or acquire, maintain and operate such grants, concessions, and franchises as are now held and enjoyed by the said Manila Railroad Company of the Philippine Islands; (b) To own or operate railroad tramways, bus lines, trucklines, subways, and other kinds of land transportation; vessels, and pipe lines, for the purposes of transporting for consideration, passengers, mail and property between any points in the Philippines; c) As an auxiliary to its main purpose, to own and/or operate powerhouses, hotels, restaurants, terminals, warehouses, timber concessions, coal mines, iron and other mining properties and to manufacture rolling stocks, equipment, tools and other appliances; to construct and operate in connection with its railroad lines, toll viaducts, toll tunnels; and d) To borrow money and contract loans, credits and indebtedness from domestic and/or foreign sources for the prosecution and furtherance of its goals and objectives.

SEC. 3. Section 3 of Republic Act Numbered Forty-One Hundred and Fifty-Six as amended by Republic Act Numbered Sixty-Three Hundred and Sixty-Six, is hereby amended to read as follows:

SECTION 3. Authorized Capital Stock of the Philippine National Railways.—The authorized capital stock of the Philippine National Railways shall be One Billion, Five Hundred Million Pesos divided into seven million, five hundred thousand common shares all with par value at two hundred pesos each, which shall include the present authorized capitalization of six hundred fifty million pesos of the Philippine National Railways; Provided, that the increase in the authorized capital shall be fully subscribed by the Government: Provided, further, that the sum of five hundred thirty-four million, nine hundred sixteen thousand, seven hundred nine pesos and eighty-five centavos (P534,916,709.85) as of June 30, 1975, which has been already subscribed and fully paid for by the Government of the Republic of the Philippines shall be the initial paid-in capital of the authorized capital of one billion, five hundred million pesos provided herein.

The remaining unpaid subscription of the Government in the amount of nine hundred sixty-five million, eighty-three thousand two hundred ninety pesos and fifteen centavos (P965,083,290.15) shall be paid as follows:

- The sum of twenty-nine million, one hundred seventy-seven thousand, four hundred twenty-six pesos and forty-three centavos (P29,177,426.43) representing the following obligations of the Philippine National Railways to the Government shall be additional paid-in subscription for one hundred forty-five thousand eight hundred eighty seven (145,887) common shares of stock to be held by the National Government;

1.

Advances by the National Treasury for payment of various Letters of Credit

P3,616,136.85

2.

Taxes due the Bureau of Customs covering importations of the Rehabilitation and Selective Modernization Program

11,341,484.00

3.

Guaranteed dividends of six percent (6%) on preferred share of the Government Service Insurance System

5,260,800.00

4.

MRRCo. loans with PNR included in the Government rehabilitated accounts which were liquidated by the National Government

5,959,005.58

5.

Releases from the Calamity Fund for the Repair of PNR Lines and Bridges damaged by typhoon

3,000,000.00

P29,177,426.43

- The sum of five million, six hundred eighty nine thousand, five hundred fifty four pesos and twenty eight centavos (P5,689,554.28) representing the remaining unpaid account of the Philippine National Railways to the Development Bank of the Philippines shall likewise be additional paid-in subscription for twenty eight thousand four hundred forty-seven (28,447) common shares of stock to be held by the Development Bank of the Philippines;

- The sum of two million, five hundred seventeen thousand, seven hundred seventy nine pesos and eighteen centavos (P2,517,779.18) representing the remaining unpaid account of the Philippine National Railways to the Philippine National Bank shall be also additional paid-in subscription for twelve thousand, five hundred eighty-eight (12,588) common shares of stock to be held by the Philippine National Bank;

- The sum of forty million, five hundred thousand pesos (P40,500,000.00) released to the Philippine National Railways out of the appropriation under Presidential Decree Number Three for national railway projects and

the sum of thirteen million, eight hundred ten thousand pesos (P13 810,000.00) released out of the appropriation of two hundred sixty-nine million pesos (P269,000,000.00) under Presidential Decree Number Four Seventy Five for the construction, installation, improvement, rehabilitation, reconstruction, completion, including project preparation and purchase of necessary materials for various railways projects, or a total of Fifty-four million, three hundred ten thousand pesos (P54,310,000.00) representing two hundred seventy-one thousand, five hundred fifty (271,550) common shares of stock, shall also form part of the paid-in capital of the Philippine National Railways; and

- Whatever balance remaining of the authorized capital of the Philippine National Railways shall be paid from a continuing annual appropriation of not less than one hundred million pesos which is hereby appropriated out of any funds in the National Treasury not otherwise appropriated, such amount to be programmed and released by the Budget Commission in accordance with the schedule of cash requirements to be prepared and submitted by the Philippine National Railways; Provided, that this continuing annual appropriation of one hundred million pesos and the programming and release thereof shall remain in force until the authorized capital stock subscribed by the Government shall have been paid in full.

SEC. 4. A new section shall be inserted to be known as Section 3-a of Republic Act Numbered Forty-One Hundred and Fifty-Six, as amended by Republic Act Numbered Sixty-Three Hundred and Sixty-Six, which provides as follows:

SECTION 3-a. Foreign Loans.—The Corporation is hereby authorized to contract loans, credits and indebtedness in any convertible foreign currency, or capital goods, from foreign governments, their agencies, instrumentalities or financial institutions, or any nongovernmental national or international financial institutions or firms extending suppliers credit deferred payment arrangements or other fund sources, or to issue bonds, the total outstanding amount of which, exclusive of interests, shall not exceed two hundred million United States dollars or the equivalent thereof in other currencies, on such terms and conditions as it shall deem appropriate for the accomplishment of its purposes and to enter into and execute agreements and other documents specifying such terms and conditions.

The President of the Philippines, through the Secretary of Finance, is hereby authorized to guarantee, absolutely and unconditionally, as primary obligor and not as surety merely, in the name and on behalf of the Republic of the Philippines, the payment of the loans, credits, indebtedness and bonds issued up to the amount herein authorized, which shall be over and above the amount which the President of the Philippines is authorized to guarantee under Republic Act Numbered Sixty-One Hundred and Forty-Two as amended, as well as the performance of all or any of the obligations undertaken by the Corporation in the territory of the Republic of the Philippines pursuant to loan agreements entered into with foreign governments or any international financial institutions or fund sources.

The loans, credits and indebtedness contracted under this subsection and the payment of the principal, interest and other charges thereon, as well as the importation of machinery, equipment, materials, supplies and services, by the Corporation, paid from the proceeds of any loan, credit or indebtedness incurred under this Act, shall also be exempted from all charges and restrictions previously and presently imposed, and to be imposed by the Republic of the Philippines, or any of its agencies and political subdivisions.

SEC. 5. Section 5 of Republic Act Numbered Forty-One Hundred and Fifty-Six as amended by Republic Act Numbered Sixty-Three Hundred and Sixty-Six is hereby amended to read as follows:

SECTION 5. Board of Directors, Composition and Appointment.— The corporate powers of the Corporation shall be vested in and exercised by a Board of Directors, hereinafter referred to as the "Board", composed of a Chairman to be appointed by the President; the General Manager of the Corporation who shall be its Vice-Chairman; the Deputy Executive Secretary; the Deputy Director-General (Programs and Projects) of the National Economic and Development Authority; the Undersecretary of Finance (Fiscal Affairs);

Undersecretary of Public Works, Transportation and Communications, and three other members to be appointed by the President.

The appointive members of the Board who need not be stockholders of the Corporation shall be persons of good moral character, competent and experienced in one or more of the following fields: transport planning, engineering, economics, management, finance, corporate law, or marketing.

The Chairman and the three appointive members of the Board shall serve for a period of six years; Provided, That in the initial appointments, one member shall be appointed for a term of two years, one member for four years, and two members for six years, Provided, further, That their successors shall be appointed for a term of six years except that any person appointed to fill a vacancy shall only serve for the unexpired term of the member succeeded.

The officials next in rank to the ex-officio members of the Board, as designated by them, shall serve as alternate members. They shall attend the meetings of the Board whenever their principals are absent or the said positions are vacant and shall receive the same benefits and privileges due their principals.

* including the Chairman

For actual attendance of meeting the members of the Board shall receive a per diem of five hundred pesos each for every meeting. Provided, That no member shall receive per diem exceeding one thousand pesos a month; Provided, further, That the total for travelling and representative expenses for any one month shall not exceed one thousand pesos for each regular member and two thousand pesos for the Chairman.

SEC. 6. Section 6 of Republic Act Numbered Forty-One Hundred and Fifty-Six as amended by Republic Act Numbered Sixty-Three Hundred and Sixty-Six is hereby amended to read as follows:

SECTION 6. Powers and Duties of the Board of Directors.—The Board shall have the following powers and duties:

- To prescribe, amend, and repeal the by-laws, rules, regulations and policies governing the manner in which the general business of the Corporation may be exercised;
- To fix the compensation of the General Manager and Assistant General Managers subject to the approval of the Office of the President, which shall not be less than sixty thousand pesos (P60,000.00) per annum and forty-eight thousand pesos (P48,000.00) per annum respectively;
- To approve the budgets of the Corporation;
- By a two-thirds vote of all members, to recommend to the President suspension or removal for cause of the General Manager and Assistant General Managers
- Upon recommendation of the General Manager, to approve the appointments of all officials of the Corporation from the rank of division heads and above;
- Subject to the provisions of applicable laws and regulations and upon recommendation of the General Manager, to reorganize the Corporation, determine its staffing pattern and define the functions and duties of organization units and personnel.

SEC. 7. Section 9 of Republic Act Numbered Forty-One Hundred and Fifty-Six as amended by Republic Act Numbered Sixty-Three Hundred and Sixty-Six is hereby amended to read as follows:

SECTION 9. Managing Head.—The Management of the Corporation shall be vested in the General Manager who shall be appointed by the President of the Philippines. He shall possess technical competence in management preferably in railroad transport management, have demonstrated executive ability, and be of good

moral character. He shall hold office for a term of eight (8) years.

In the performance of his functions, he shall be assisted by Assistant General Managers who shall be appointed by him with the approval of the Board of Directors and the President.

SEC. 8. Section 10 of Republic Act Numbered Forty-One Hundred and Fifty-Six as amended by Republic Act Numbered Sixty-Three Hundred and Sixty-Six is hereby amended to read as follows:

SECTION 10. Powers and Duties of the General Manager.—The General Manager shall have the following powers and duties:

- To recommend to the Board short-and-long-range plans and programs consistent with the overall objectives of the Corporation;
- To direct and manage the affairs and business of the Corporation on behalf of the Board in accordance with the policies, rules and regulations established by the Board.
- To sit in all meetings of the Board as Vice-Chairman and participate in its deliberations with the right to vote and to preside in the meetings for and in the absence of of the Chairman;
- To submit and recommend consolidated annual budget and proposed capital and other supplemental budgets to the Board;
- To appoint officials and employees below the rank of a division head and to suspend or otherwise discipline for cause, all subordinate officials and employees of the Corporation: Provided, however, That in the case of removal for cause, approval of the Board shall be necessary;
- To recommend to the Board such changes in the organizational structure and staffing pattern of the Corporation as may be necessary to carry out its functions effectively;
- To submit to the Office of the President within 60 days after the close of said fiscal year an annual report and such other reports on its operations as may be required; and
- To perform such other duties and functions as may be assigned to him by the Board.

SEC. 9. Notwithstanding the provisions of Presidential Decree Nos. 14 and 69 and the provisions of other laws to the contrary, the exemption from taxes, duties and port charges or dues, customs bonds port charges formerly enjoyed by the Corporation as provided for in Section 12 of Republic Act Numbered Sixty-Three Hundred and Sixty-Six shall remain valid and effective.

SEC. 10. Section 14 of Republic Act Numbered Forty-One Hundred and Fifty-Six as amended by Republic Act Numbered Sixty-Three Hundred and Sixty-Six is hereby amended to read as follows:

SECTION 14. Legal Department.—Any provisions of law or executive order to the contrary notwithstanding, the Philippine National Railways shall have its own Legal Department which shall handle all legal matters affecting the corporation: Provided, That the Solicitor General's Office shall provide assistance and supervision in the handling of court cases of the Corporation.

SEC. 11. Section 15 of Republic Act Numbered Forty-One Hundred and Fifty-Six as amended by Republic Act Numbered Sixty-Three Hundred and Sixty-Six is hereby amended to read as follows:

SECTION 15. Exemption from the Public Service Act.—The Philippine National Railways shall not be subject to the authority and supervision of the Board of Transportation or any similar regulatory Body.

SEC. 12. This Decree, is, hereby made part of the laws of the land and provisions of existing laws, executive and administrative orders, or parts thereof, in conflict with this Decree are hereby modified and repealed.

SEC. 13. This Decree shall take effect immediately.

Done in the City of Manila, this 3rd day of July, in the year of Our Lord, nineteen hundred and seventy-five.

(Sgd.)

FERDINAND E. MARCOS

President

Republic of the Philippines

By the President:

(Sgd.)

ALEJANDRO MELCHOR

Executive Secretary

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