

SIXTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

HOUSE BILL NO. 1285



Introduced by Representative Roman T. Romulo
Lone District of Pasig City

EXPLANATORY NOTE

The Philippine National Railways (PNR) shall serve as the instrumentality of the Government of the Philippines in providing a trans-national railroad and transportation system. It shall own or operate railroads for the purpose of transporting, for consideration, passengers and property between any points in the Philippines.

First, with the impending expiration of the PNR Charter on June 2014, the existing charter of the PNR should now be amended to extend its corporate life to allow the agency to serve as the instrumentality of the Government in providing a trans-national railroad and transportation system.

Second, since transportation plays a vital role in the pursuit of the national effort for the socio-economic development of the country, there arises an immediate need for the early completion of the rehabilitation and modernization of the facilities of the PNR. As such, the authorized capital stock of the PNR should now be increased to One Hundred Billion Pesos (P100,000,000,000.00) in order to be able to come up with funds necessary for the foregoing.

Third, the PNR's tax exemption should be expanded to cover all direct and indirect local and national government imposed taxes, including the value added tax. This would allow the PNR to channel all its resources to its rehabilitation and modernization efforts.

Together with the other proposed amendments to the original PNR Charter, this bill is geared towards improving the capability of the agency for public service.

Hence, the passage of this bill is earnestly sought.

A handwritten signature in black ink, appearing to read "Roman T. Romulo".

HON. ROMAN T. ROMULO

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 1285

Introduced by HON. ROMAN T. ROMULO

**AN ACT TO AMEND REPUBLIC ACT NUMBERED FORTY-ONE HUNDRED FIFTY-SIX,
ENTITLED "AN ACT CREATING THE PHILIPPINE NATIONAL RAILWAYS,
PRESCRIBING ITS POWERS, FUNCTIONS AND DUTIES, AND PROVIDING FOR THE
NECESSARY FUNDS FOR ITS OPERATIONS", AS AMENDED BY REPUBLIC ACT
NUMBERED SIXTY-THREE AND SIXTY SIX AND PRESIDENTIAL DECREE NUMBERED
SEVEN HUNDRED FORTY ONE**

Section 1. Section 1 of Republic Act 4156, as amended, is hereby amended as follows:

Term Extension. As a declared national policy, the Philippine National Railways, being a factor for socio-economic development growth, shall (a) remain in and under government ownership during its corporate existence in order to continue having the responsibility for a nationwide railways system; (b) while aiming at its greatest utility by the public, the viability of its operation must be ensured so that services can be rendered at the minimum passenger and freight prices possible; (c) be administered with the view of serving the best interest of the public including cooperating with the private sector in adding capacity by tract usage; and its corporate life is hereby extended to continue to exist on a continuing basis after the expiration of its original term.

Section 2. Section 2 of Republic Act 4156, as amended, is hereby amended as follows:

Loans. The Philippine National Railways is hereby authorized to contract loans, credits and indebtedness in domestic currency or in any convertible foreign currency, or capital goods, from foreign governments, their agencies instrumentalities or financial institutions, or any non-governmental national or international financial institutions or firms extending suppliers credit, deferred payment arrangements or other fund sources, or to issue bonds 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 Republic of the Philippines, through the Secretary of the Department 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, which shall be over and above the amount which the President of the Republic 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 domestic creditors, foreign governments or any international financial institutions or fund sources.

The loans, credits and indebtedness contracted under this section 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 be exempt 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

Section 3. Section 3 of Republic Act 4156, as amended, is hereby amended as follows:

Authorized Capital Stock of the Philippine National Railways. The authorized capital stock of the Philippine National Railways shall be One Hundred Billion Pesos (P100,000,000,000.00) divided into Five Hundred Million (500,000,000) common shares all with par value at Two Hundred Pesos (P200.00), which shall include the present authorized capitalization of One Billion Five Hundred Million Pesos (P1,500,000,000.00); Provided, that the increase in the authorized capital shall be fully subscribed by the National Government and other government institutions, corporations, instrumentalities, and agencies, whether national or local, within the framework of their respective charters; Provided further, that all the obligations of the Philippine National Railways to the National Government and its instrumentalities, including but not limited to the Bureau of Internal Revenue and the Government Service Insurance System, as of the date of the approval of this Act, as recommended by the Board of Directors of the Philippine National Railways and determined and agreed upon by the

Department of Transportation and Communications, shall be converted into capital stocks of the Philippine National Railways and made a part of the subscription; Provided further that the authorized capital can be increased from time to time as may be needed, as recommended by the Board of Directors of the Philippine

National Railways and determined and agreed upon by the Department of Transportation and Communications and approved by the President of the Republic of the Philippines, to be placed on behalf of the National Government under the name of a government entity, as may be legally practicable, such as but not limited to the Bureau of Treasury.

Whatever balance remaining of the authorized capital of the Philippine National Railways shall be paid from a continuing annual appropriation of any funds in the National Treasury, to be programmed and released by the Department of Budget and Management in accordance with the schedule of cash requirements to be prepared and submitted by the Philippine National Railways specially insofar as capital expenditures are concerned, such as but not limited to maintenance and rehabilitation of railways, to improve and/or increase its track lines; Provided, that this continuing annual appropriation shall remain in force until the authorized capital stock subscribed by the Government shall have been paid in full.

Section 4. Section 5 of Republic Act 4156, as amended, is hereby amended as follows:

Per diems and Reimbursable Expenses of Members of the Board of Directors. For actual attendance of Regular or Special Board meetings, or Board Committee meetings, the members of the Board of Directors shall receive a per diem, to be determined by the Governance Commission for Government Owned or Controlled Corporations and the Office of the President.

All necessary expenses of the members of the Board of Directors to attend Board and other meetings and to discharge their official duties, within the limits allowable by the Governance Commission for Government Owned or Controlled Corporations and the Office of the President, shall be paid directly by the Philippine National Railways in the form of cash advance or reimbursement.

Section 5. Section 6 of Republic Act 4156, as amended, is hereby amended as follows:

Additional powers of the Board of Directors. (a) The Board of Directors shall have the authority to grant permits to private companies to build and/or operate a railway system in consonance with the Philippine National Railways' mandate to operate a nationwide railway system.

(b) The Board of Directors shall expropriate with rightful compensation the necessary "rights of way" needed by the Philippine National Railways to maintain and/or expand its track lines.

(c) The Board of Directors shall appoint a Corporate Secretary and a secretarial complement of at least 3 qualified persons to support the legal and administrative activities of the Board.

Section 6. Section 12 of Republic Act 4156, as amended, is hereby amended as follows:

Exemption from taxes, duties and port charges or dues, customs bonds and port charges. The Philippine National Railways is hereby exempt from the payment of all taxes of every name and nature, municipal, city, provincial, or national upon its capital stock, franchise, rights of way, earnings, and all other property owned or operated by it in relation to its principal and auxiliary purposes and all import duties on all railway materials, rolling stocks, spare parts, supplies and equipment imported in the Philippines for and/or by the Philippine National Railways and this exemption shall extend to wharfage dues, storage charges, arrastre, and shipping charges and special duties on such importations, and other port charges upon the carrying vessels whose entire cargo consist 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, and these exemptions shall extend to the Value-Added Tax (VAT) and the Expanded Value-Added Tax (E-VAT).

Section 7. A new section, Section 3-A, shall be inserted and read as follows:

Continuing National Government Grants for Infrastructure, Investments and Capital Expenditure. The Department of Budget and Management is mandated to allocate an amount needed by the Philippine National Railways for the necessary capital expenditures for the purposes for which it has been created, which amount shall be programmed and released from a continuing annual appropriation as determined by the Board of Directors of the Philippine National Railways and approved by the Department of Transportation and Communications and the Office of the President.

Section 8. A new section, Section 5-A, shall be inserted and read as follows:

Private Legal Assistance for the Members of the Board of Directors. All the Members of the Board of Directors are hereby authorized to engage the services of private lawyers or external counsel, subject to the pre-approval of the Board, immediately upon receipt of Court Notice that a civil or criminal action, suit or proceeding is filed against them in connection with their lawful performance of

their official functions and duties as members of the Board of Directors of the Philippine National Railways. For the purpose of the section, the Members of the Board of Directors shall be understood to include their support staff, such as the Board Secretariat.

Section 9. A new section, Section 6-A, shall be inserted and read as follows:

Determination of Fares. The Philippine National Railways shall independently set up its own pricing system for its services.

Section 10. A new section, Section 6-B, shall be inserted and read as follows:

Board & Management Performance. The Department of Transportation and Communication, upon the recommendation of the Board of Directors of the Philippine National Railways, must adopt operating quantitative and qualitative targets and objectives, to monitor the performance of the Board of the Directors and Management, including but not limited to capacity, efficiency, extent of new lines and services, and return on assets over the short, medium and long term.

Section 11. Separability Clause. - If any provision of the Act or the application thereof to any person or circumstance is held to be avoid, or unconstitutional, any other provision not affected thereby shall remain in full force and effect.

Section 12. Repealing Clause. All laws or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

Section 13. Effectivity. This Act shall take effect upon approval.

Approved.



HON. ROMAN T. ROMULO