



**16th CONGRESS OF THE REPUBLIC OF THE PHILIPPINES
THIRD REGULAR SESSION**

**House of Representatives
HOUSE BILL NO. 6017**

Introduced by HONORABLE GUS S. TAMBUNTING

AN ACT PROMOTING THE REVITALIZATION, REHABILITATION AND MODERNIZATION OF THE PHILIPPINE NATIONAL RAILWAYS, AMENDING FOR THE PURPOSE CERTAIN PROVISIONS OF R.A. NO. 4156 ENTITLED "AN ACT CREATING THE PHILIPPINE NATIONAL RAILWAYS, PRESCRIBING ITS POWERS, FUNCTIONS AND DUTIES, AND PROVIDING FOR THE NECESSARY FUNDS FOR ITS OPERATION"

EXPLANATORY NOTE

An effective and systematic mass transportation program provides a significant positive economic impact. It creates transit investment on jobs and business revenues and affirms a variety of broader indirect benefits.

On June 20 1964, Republic act No. 4156 entitled, "An act creating the Philippine National Railways, prescribing its powers, functions and duties, and providing for the necessary funds for its operation" was approved. The said law described PNR as a corporation to serve as the instrumentality of the Government of the Philippines in providing a nation-wide railroad and transportation system.

This bill seeks to amend certain provisions of Republic Act No. 4156 in order to adopt with the country's present circumstances by institutionalizing the revitalization, rehabilitation and modernization of the Philippine National Railways.

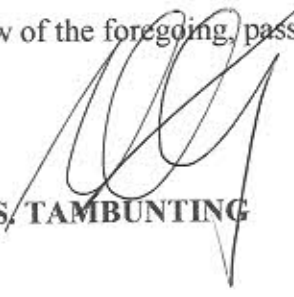
Republic Act 10638 was approved, the law provides for the extension of PNR's corporate existence for another 50 years.

However, despite of the abovementioned grant of extension on its corporate life, the PNR is said to run a "loss leader" operation, which means, the more trips the train runs, the more losses it incur. This condition can be charged to its purely manual operations

as well as its aged and obsolete train system equipment and facilities resulting to a poor operating potentials and high leakage rate.

Having said that, by continuing the operation of the PNR, without its charter being amended, so as to adopt with the present condition of the economy, would probably result to an end of PNR, which is believed to be one of the country's viable solutions to curtail massive congestion in the country. As a consequence, lost of the mass transportation of the lowest economic class of commuters may soon perish.

In view of the foregoing, passage of the bill is earnestly sought.



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1 **AN ACT PROMOTING THE REVITALIZATION, REHABILITATION AND**
2 **MODERNIZATION OF THE PHILIPPINE NATIONAL RAILWAYS,**
3 **AMENDING FOR THE PURPOSE CERTAIN PROVISIONS OF R.A. NO. 4156**
4 **ENTITLED "AN ACT CREATING THE PHILIPPINE NATIONAL**
5 **RAILWAYS, PRESCRIBING ITS POWERS, FUNCTIONS AND DUTIES, AND**
6 **PROVIDING FOR THE NECESSARY FUNDS FOR ITS OPERATION**

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9 *Be it enacted by the Senate and House of Representatives of the Philippines in Congress*
10 *assembled.*
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12 **SECTION 1.** Section 3 of Republic Act Four thousand One Hundred Fifty Six, as
13 amended by Republic Act Six Thousand Six Hundred Sixty Six and Presidential Decree
14 Seven Hundred Forty One is hereby replaced to read as follow:

15 "SEC. 3. AUTHORIZED CAPITAL STOCK OF THE PHILIPPINE NATIONAL
16 RAILWAYS. THE AUTHORIZED CAPITAL STOCK OF THE PHILIPPINE
17 NATIONAL RAILWAYS SHALL BE FIFTY BILLION PESOS DIVIDED INTO
18 THREE MILLION ONE HUNDRED THIRTEEN THOUSAND COMMON SHARES
19 ALL WITH PAR VALUE OF TWO HUNDRED PESOS EACH, WHICH SHALL
20 INCLUDE THE PRESENT AUTHORIZED CAPITALIZATION OF THE
21 PHILIPPINE NATIONAL RAILWAYS: PROVIDED, THAT THE INCREASE IN
22 THE AUTHORIZED CAPITAL SHALL BE FULLY SUBSCRIBED BY THE
23 GOVERNMENT: PROVIDED FURTHER, THAT ALL EXISTING LONG TERM
24 OBLIGATIONS OF THE PHILIPPINE NATIONAL RAILWAYS TO THE
25 GOVERNMENT OF THE PHILIPPINES INCLUDING ITS AGENCIES OR
26 INSTRUMENTALITIES AS WELL AS ITS TAX OBLIGATION TO ANY LOCAL
27 GOVERNMENT UNIT SHALL BE CONVERTED INTO CAPITAL STOCKS OF
28 THE PHILIPPINE NATIONAL RAILWAYS AND MADE A PART OF THE
29 SUBSCRIPTION: PROVIDED, STILL FURTHER, THAT THE INCREASE IN

1 AUTHORIZED CAPITAL STOCK HEREIN PROVIDED IS DISTINCT AND
2 SHALL NOT PREJUDICE THE ANNUAL APPROPRIATION PROVIDED IN THE
3 YEARLY GAA. THE AMOUNT RAISE BY VIRTUE OF THE INCREASE IN THE
4 AUTHORIZED CAPITAL STOCK, IN ADDITION TO THE EXISTING SINKING
5 FUND OF THE PNR ESTABLISHED FROM ITS EXISTENCE, SHALL BE USED
6 FOR THE CONSTRUCTION OF NEW RAILROAD LINE AND WHENEVER
7 ECONOMICALLY AND TECHNICALLY FEASIBLE, THE REHABILITATION
8 AND/OR MODERNIZATION OF MOST OF THE ENTIRE RAILWAY SYSTEM
9 OF PNR THROUGHOUT THE COUNTRY.

10 **SECTION 2.** A new subsection, Section 2-E, shall be inserted to read as follows:

11 "SEC. 2-E. THE PHILIPPINE NATIONAL RAILWAYS SHALL BE ALLOWED TO
12 ENTER INTO A JOINT VENTURE WITH A QUALIFIED PRIVATE SECTOR
13 PARTNER, PARTICULARLY AND EXCLUSIVELY FOR THE PURPOSE OF
14 OPERATIONS AND MAINTENANCE SUBJECT TO THE APPROVAL OF THE
15 BOARD, WITH AT LEAST TWO-THIRDS (2/3) VOTE, IN A MEETING CALLED
16 FOR THE PURPOSE. PROVIDED, THAT SUCH PLANS AND/PROGRAMS OF
17 ENTERING TO A JOINT VENTURE WERE CONSISTENT WITH THE OVERALL
18 OBJECTIVES OF THE CORPORATION AS RECOMMENDED BY THE
19 GENERAL MANAGER, PROVIDED FINALLY, THAT THE PROCUREMENT
20 PROCEDURE SHALL COMPLY WITH THE EXISTING GOVERNMENT
21 PROCUREMENT LAW. IN ANY EVENT THAT INCREASE IN FARE RESULTED
22 BY REASON OF THE PRIVATIZATION OF PNR'S OPERATIONS AND
23 MAINTENANCE, THE INCREMENTAL INCREASE IN VALUE BETWEEN THE
24 REAL FARE AND NOMINAL FARE SHALL BE SUBSIDIZED AND PAID FOR
25 BY THE PHILIPPINE GOVERNMENT AND SHALL BE COVERED BY YEARLY
26 AUTOMATIC APPROPRIATIONS PROVIDED IN THE GENERAL
27 APPROPRIATIONS ACT."

28 **SECTION 3.** A new subsection, Section 2-F, shall be inserted to read as follows:

29 "SEC. 2-F. TO DEPUTIZE AND/OR OBLIGATE LGU'S TO ENFORCE AND
30 IMPLEMENT, IN COLLABORATION WITH THE GOVERNMENT CORPORATE
31 COUNCIL (GCC), THE RESTORATION OF PNR'S RIGHT-OF-WAY SO AS TO
32 RETURN THE LAND AROUND THE STATIONS AND RESTORATION OF
33 PNR'S RIGHTS TO USE. IN PROCESS, REWARDING THE LGU'S FOR THEIR
34 EFFORT AND PENALIZING LGU'S FOR THEIR REFUSAL OR INABILITY TO
35 IMPLEMENT THE RESTORATION OF PNR'S RIGHTFUL USE AND
36 POSSESSION OF LAND ON THE RIGHT-OF-WAY AND AROUND STATIONS
37 SHALL BE THE BASIC POLICY FOR ENFORCEMENT. "

38 **SECTION 4.** A new subsection, Section 2-G, shall be inserted to read as follows:

39 "SEC 2-G. TO PENALIZE CRIMINALLY AND/OR CIVILLY ANY PERSON(S)
40 INTERFERENCE WITH THE FREE FLOW, UNHAMPERED USE, AND
41 PASSAGE OF PNR TRAINS ALONG THEIR LEGAL RIGHT OF WAY (TRACKS,
42 BRIDGES, TURNOUTS, INTERCONNECTIONS, AND ALL ASSOCIATED
43 LINKAGES), SUCH AS DISREGARDING SIGNALS AND TRAIN CROSSINGS
44 DANGEROUSLY ON THE PATH OF ONCOMING TRAINS, PLACING DEAD
45 BODIES ALONG OR ON TOP OF THE TRACKS AND ITS LINKAGES,

1 WHETHER AS A CONSEQUENCE OF A CRIME OR NOT, SLEEPING, PLAYING
2 ON, IDLING ON RAILROAD TRACKS AND ITS LINKAGES, PLACING
3 BOULDERS OR OBJECTS THAT OBSTRUCT, THROWING OBJECTS AT
4 PASSING TRAINS, AND SIMILAR ACTS OF DESTRUCTION AND
5 OBSTRUCTION. COMMITTING OR ATTEMPTING TO COMMIT SUICIDE
6 ALONG THE RAILROAD TRACKS AND ITS LINKAGES, BUILDING
7 STRUCTURES-PERMANENT OR OTHERWISE ALONG THE PNR LEGAL
8 RIGHT-OF-WAY AND/OR REFUSING TO VACATE THE SAME UPON
9 DEMAND.

10 IF SUCH ACT(S) CAUSES OR HAS POTENTIAL TO CAUSE, OR RESULT
11 IN DEATH OR INJURY TO PERSONS AND/OR DAMAGE TO PROPERTY/IES
12 SUCH PARTY/IES WHO, WITH INTENT TO CAUSE, OR ACTUALLY CAUSED
13 SUCH INTERFERENCE, OBSTRUCTION, WHETHER OR NOT RESULTING IN
14 INJURY OR DEATH, DAMAGE TO PNR TRAINS, TRACKS, LINKAGES,
15 AND/OR PNR PROPERTY, SHALL BE HELD CRIMINALLY AND CIVILLY
16 LIABLE BY PNR. DEVOID OF ANY EVIDENCE TO THE CONTRARY, PNR IS
17 PRESUMPTIVELY ABSOLVED FROM CRIMINAL AND CIVIL LIABILITY.”

18 **SECTION 5.** Section 3-A of Republic Act Four thousand One hundred Fifty Six, as
19 amended is hereby amended to read as follows:

20 **Sec. 3-A. Foreign Loans.** The PHILIPPINE NATIONAL RAILWAYS
21 [Corporation] is hereby authorized to contract loans, credits and indebtedness IN
22 DOMESTIC CURRENCY OR in any convertible foreign currency, or capital goods
23 from foreign governments, their agencies instrumentalities or financial institutions, or
24 any governmental national or international financial institutions or firms extending
25 supplier’s credit, deferred payment arrangements or other funds sources, or to issue
26 bonds, [the total outstanding amounts of which, exclusive of interests, shall not exceed
27 two hundred million United States dollars or the equivalent thereof and other
28 currencies,] on such terms and conditions as it shall deem appropriate for the
29 accomplishment of its purposes and to enter into and execute agreements and other
30 documents specifying such terms and conditions.

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

41 The loans, credits and indebtedness contracted under this subsection and the payment
42 of the principal, interest and other charges thereon, as well as the importation of
43 machinery, equipment, materials, supplies and services, by the Corporation, paid from
44 the proceeds of any loan, credit or indebtedness incurred under this Act, shall also be
45 exempted from all charges and restrictions previously and presently imposed, and to be

1 imposed by the Republic of the Philippines, or any of its agencies and political
2 subdivisions.

3 **SECTION 6.** Section 9 of Republic Act Numbered Four thousand One Hundred and
4 Fifty-Six as amended by Republic Act Numbered Sixty-Three Hundred and Sixty-Six
5 and PD 741 is hereby amended to read as follows:

6 "Sec. 9. Managing Head. The Management of the Corporation shall be vested in the
7 General Manager who shall be appointed by the President of the Philippines. He shall
8 possess technical competence in management preferably in railroad transport
9 management, have demonstrated executive ability, and be of good moral character. He
10 shall hold office for a term of SIX (6) [eight (8)] years.

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

14 **SECTION 7.** Section 12 of Republic Act Four thousand One hundred Fifty Six, as
15 amended is hereby amended to read as follows:

16 Sec. 12. Exemption from taxes, duties, [and] port charges or dues AND customs bonds
17 [and port charges]. The PHILIPPINE NATIONAL RAILWAYS [Corporation] is
18 hereby exempt from payment of all taxes of any kind [every name] and nature.
19 INCLUDING THOSE IMPOSED BY municipal, city, provincial or national upon its
20 capital stock, franchise, right of way, earnings, and all property owned or operated by
21 it and all import duties on all railway materials, rolling stocks, spare parts, supplies and
22 equipment imported in the Philippines for and/or by the said corporation, and this
23 exemption shall extend to wharfage dues, storage charges, arrastre, and shipside
24 charges, and special duties on such importations, and other port charges upon the
25 carrying vessels whose entire cargo consists of materials for the construction of its
26 projects and rehabilitation of its lines, facilities and to such proportion of the prescribed
27 port charges on other vessels as the tonnage of materials for such constructions or
28 equipment may bear to the tonnage of the entire cargo of the vessel; and such exemption
29 shall further extend to the filing of general importer's and general documentary bonds
30 and warehouse bonds for the operation of its warehouses, whether general bonded
31 warehouses or general order store.

32 NOTWITHSTANDING THE PROVISIONS OF ANY OTHER LAWS TO THE
33 CONTRARY, THE EXEMPTION FROM TAXES, DUTIES AND PORT CHARGES
34 OR DUES, CUSTOMS BONDS PORT CHARGES ENJOYED BY THE PHILIPPINE
35 NATIONAL RAILWAYS AS PROVIDED FOR IN SECTION 12 OF REPUBLIC
36 ACT FOUR THOUSAND ONE HUNDRED FIFTY SIX AS AMENDED BY RA
37 6366 AND PD 741 IS HEREBY REAFFIRMED

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39 **SECTION 8. Separability Clause.** – If any portion or provision of this Act is declared
40 unconstitutional or invalid, the other provisions hereof not affected thereby shall remain
41 valid and effective.

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43 **SECTION 9. Repealing Clause.** – All laws, executive orders, presidential decrees,
44 presidential proclamations, rules and regulations or parts thereof inconsistent with the
45 provisions of this Act are hereby repealed or modified accordingly.

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2 **SECTION 10. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
3 publication in the Official Gazette or in a newspaper of general circulation.
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6 Approved,
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GUS S. TAMBUNTING