

FIFTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session

SENATE

Senate Bill No. 1248

INTRODUCED BY SEN. MANNY VILLAR

EXPLANATORY NOTE

This bill seeks the establishment of the Mindanao Railways Corporation as a deliberate effort of the present government to hasten the development of the Mindanao region.

The Mindanao Railways Corporation, if created, will serve as a government instrumentality in providing railroad and transportation system for the whole island of Mindanao. The people from the South and traders from all over the land who have difficulties traveling and transporting their goods within and outside the island will be benefited. A railroad network crisscrossing Mindanao will considerably shorten the distance and/or travel of the people or the goods whose destination is the Visayas or Luzon, not to mention the opportunity to trade and transport huge volume of goods at the lowest cost.

The experience of Japan, Canada, the United States and most of Europe whose railroad networks have enhanced national development, is sufficient encouragement for the railroad system in the South.

The establishment of said Corporation will spearhead Mindanao's economic take-off and become at par with the developed transportation of Luzon and Visayas.

In view of the foregoing, approval of this bill is thus requested.


MANNY VILLAR

SENATE

Senate Bill No. 1248

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**AN ACT
CREATING THE MINDANAO RAILWAYS CORPORATION PRESCRIBING ITS
POWERS, FUNCTIONS AND DUTIES AND PROVIDING FOR THE
NECESSARY FUNDS FOR ITS OPERATION**

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

1 **SECTION 1. Name, Duration and Domicile.** – A corporation to serve as
2 the instrumentality of the Government of the Philippines in providing a railroad
3 and transportation system for the whole island of Mindanao is hereby created, to
4 be known as the Mindanao Railways Corporation, which for the purpose of this
5 Act, shall be called the Corporation. The Corporation shall exist for a term of fifty
6 (50) years from the date of approval of this Act. It shall have its main office in
7 Cagayan de Oro City, and shall have such branches and agencies within or
8 outside the Philippines, as may be necessary for the proper conduct of its
9 business.

10 **SEC. 2. Purposes and Specific Powers.** – The Corporation shall have
11 the following purposes and specific powers:

12 (a) To own or operate railroads, tramways, and other kinds of land
13 transportation, vessels and pipelines, for the purpose of transporting
14 for consideration, passengers, mails and property between any points
15 in Mindanao; and

1 (b) As an auxiliary to its main purpose, to own and/or operate
2 powerhouse, hotels, restaurants, terminals, warehouse, timber
3 concessions, coal mines iron and other mineral properties and to
4 manufacture rolling stocks, equipment tools and other appliances, to
5 construct and operate in connection with its railroad lines, toll viaducts,
6 toll tunnels and the like.

7 **SEC. 3. General Powers.** – The Corporation shall have the following
8 general powers:

9 (a) To do all such other things and to transact all such business directly
10 or indirectly, incidental or conducive to the attainment of the purpose
11 of the corporation; and

12 (b) Generally, to exercise all powers of a corporation under the
13 Corporation Law;

14 (c) To exercise the power of eminent domain.

15 **SEC. 4. Authorized Capital Stock of the Corporation.** – The Authorized
16 Capital Stock of the Corporation shall be Ten billion pesos (P10,000,000,000.00),
17 divided into Ten million pesos (P10,000,000.00) shares at par value shares of
18 One thousand pesos (P1,000.00) each, which shall be fully subscribed by the
19 Philippine Government, twenty percent (20%) of which or Two billion pesos
20 (P2,000,000,000.00) shall be initially paid-up and the balance shall be paid from
21 a continuing annual appropriation of not less than Two hundred million pesos
22 (P200,000,000.00) which is hereby appropriated, out of any funds in the National
23 Treasury not otherwise appropriated. The said amount shall be programmed and
24 released by the Budget Commission in accordance with the schedule of cash
25 requirements to be prepared and submitted by the Mindanao Railways
26 Corporation: *Provided*, That this continuing annual appropriation of Two billion
27 pesos (P2,000,000,000.00) and the programming and release thereof shall
28 remain in force until the authorized capital subscribed by the Government shall
29 have been paid in full.

1 **SEC. 5. Loans.** – The Corporation is hereby authorized to contract loans,
2 credits, and indebtedness in any domestic or convertible foreign currency, or
3 their capital goods, from foreign governments, their agencies, instrumentalities or
4 financial institutions, or any non-governmental national or international
5 institutions or firms extending suppliers credit deferred payment arrangement or
6 other fund sources, or to issue bonds, the total outstanding amount of which,
7 exclusive of interests, shall not exceed Five hundred million United States dollars
8 (\$500,000,000.00) or the equivalent thereof in other currencies; on such terms
9 and conditions as it shall deem appropriate for the accomplishment of its purpose
10 and to enter into and execute documents and other documents specifying such
11 terms and conditions.

12 The President of the Philippines, through the Secretary of Finance is
13 hereby authorized to guarantee, in the name and on behalf of the Republic of the
14 Philippines, the payment of the loans, credits, indebtedness and bonds issued up
15 to the amount herein authorized, which shall be over and above the amount which
16 the President of the Philippines is authorized to guarantee under Republic Act
17 Numbered Sixty-One Hundred and Forty-Two (R.A. 6142) as amended, as well
18 as the performance of all or any of the obligation undertaken by the Corporation
19 in the territory of the Republic of the Philippines pursuant to loan agreements
20 entered into with foreign governments or any international financial institution of
21 fund sources.

22 The loans, credits and indebtedness contracted under this Section and the
23 payment of the principal, interest and other charges thereon, as well as the
24 importation of machinery, equipment, materials, suppliers, and services, by the
25 corporation, paid from the proceeds of any loan, credit or indebtedness incurred
26 under this Act, shall also be exempted from all charges and restrictions
27 previously imposed and to be imposed by the Republic of the Philippines, or any
28 of its agencies and political subdivisions.

1 **SEC. 6. Board of Directors, Composition and Appointment.** – The
2 corporate power of the Corporation shall be vested in and exercised by a Board
3 of Directors consisting of a chairman, vice-chairman and nine (9) members who
4 shall be appointed by the President of the Philippines, with the consent of the
5 Commission on Appointments. Their term of office shall be six (6) years from the
6 date they qualify and assume office, except that any person chosen to fill a
7 vacancy shall serve only for the unexpired term of the member whom he
8 succeeds: *Provided*, That the first appointed members of the Board shall be
9 divided to serve as designated by the President in their appointments for terms of
10 two (2), four (4) and six (6) years, respectively. For actual attendance of Board
11 meetings, each such members shall receive a *per diem* of One thousand pesos
12 (P1,000.00). The Board meetings may not exceed four (4) times a month.

13 **SEC. 7. Qualification of Board Members.** – The Chairman, Vice-
14 Chairman, and the members of the Board of Directors of the Corporation shall be
15 Filipino citizens, at least thirty-five (35) years of age at the time of their
16 appointments and holders of degrees in the field of engineering, economics,
17 business management and related courses. In addition, a masteral degree in the
18 same field and/or experience in railway management and operations for at least
19 five (5) years is preferable. Majority of such officials must be residents of
20 Mindanao for at least five (5) years prior to the appointments.

21 **SEC. 8. Powers and Duties of the Board of Directors.** – The Board of
22 Directors shall have the following powers and duties:

23 (a) To prescribe, amend and repeal laws, rules and regulations governing
24 the manner in which the general business of corporation may be
25 exercised, including provisions for the formation of such committee or
26 committees as the Board of Directors may deem necessary to facilitate
27 its business.

28 (b) To appoint and fix the compensation of the General Manager, subject
29 to the approval of the President of the Philippines of the Philippines,

1 and to appoint and fix the compensation of the other officers of the
2 Corporation. The Board by a majority of all the members may, for
3 cause, and with the President of the Philippines suspend and/or
4 remove the General Manager.

5 (c) To approve the annual and/or such supplemental budgets of the
6 Corporation which may be submitted to it by the General Manager
7 from time to time.

8 (d) To enter into contract with any duly pre-qualified private contractor for
9 the financing, construction, operation and maintenance of any
10 financially viable infrastructure facilities through the Build Operate and
11 Transfer or Build and Transfer scheme, as provided for by law.

12 **SEC. 9. Suspension and Removal of Directors.** – Any member of the
13 Board of Directors may, for cause, be suspended or removed by the President of
14 the Philippines.

15 **SEC. 10. Prohibition for Board Members.** – No Chairman or member of
16 the Board of Directors of the Corporation shall serve in the Corporation in any
17 capacity other than as Chairman or member thereof, unless otherwise authorized
18 by law.

19 **SEC. 11. Managing Head.** – The management of the Corporation shall be
20 vested in the General Manager, who shall possess technical competence in
21 Railroad Management, hold office for a term of six (6) years without
22 reappointment and who shall be removable for cause. He shall be appointed by
23 the President of the Philippines, with the consent of the Commission of
24 Appointments.

25 **SEC. 12. Powers and Duties of the General Manager.** – The General
26 Manager shall have the following powers and duties:

27 (a) To direct and manage the affairs and business of the Corporation on
28 behalf of the Board of Directors, and subject to its control and
29 supervision;

1 (b) To sit in all meetings of the Board of Directors as Vice-Chairman, and
2 participate in its deliberation, with the right to vote and to preside any
3 meetings for or in the absence of the Chairman;

4 (c) To submit within sixty (60) days after of each fiscal year an annual
5 report, through the Board of Directors, to the Office of the President of
6 the Philippines and the Congress of the Philippines;

7 (d) To appoint and fix the number and the salaries, with the approval of
8 the Board of Directors, of such subordinate personnel as may be
9 necessary for the proper discharge of the duties and functions of the
10 Corporation, and with the approval of the Board of Directors, to
11 remove, suspend, or otherwise discipline, for cause, any subordinate
12 employee of the Corporation; and

13 (e) To perform such other duties as may be assigned by the Board of
14 Directors from time to time.

15 **SEC. 13. Appointment and Promotion of Personnel.** – The provision of
16 Civil Service Law shall govern in the appointment and promotion of officers and
17 employees of the Corporation.

18 **SEC. 14. Exemption from Taxes, Duties and Port Charges.** – The
19 Corporation is hereby exempt from payment of all taxes of every name and
20 nature – municipal, city, provincial, or national – upon its capital stock,
21 franchisees, right of way, earnings, and all other property owned and operated by
22 it and all duties, all railways materials, supplies and equipment imported in the
23 Philippines for and/or by the said Corporation, and this exemption shall extend to
24 port charges upon vessels whose entire cargo of materials for the construction of
25 the prescribed port charges on other vessels as the tonnage of materials for such
26 constructions or equipment may bear to the tonnage of the entire cargo of the
27 vessel.

28

1 **SEC. 15. Audit Personnel and Report. –**

2 a) Personnel -- The Commission on Audit shall appoint a representative
3 who shall be the Auditor of the Corporation, and the necessary
4 personnel to assist said representative in the performance of his
5 duties. The number and salaries of the Auditors and said personnel
6 shall be determined by the Commission on Audit, subject to
7 appropriation by the Board of Directors. In case of disagreement, the
8 matter shall be submitted to the President of the Philippines whose
9 decision shall be final. Said salaries and all other expenses of
10 maintaining the Auditor's Office shall be paid by the Corporation.

11 b) Report – The financial transactions of the Corporation shall be audited
12 in accordance with law, administrative regulations and the principles
13 and procedure applicable to commercial corporate transaction. A
14 report of audit for each fiscal year, by the representative of the
15 Commission on Audit, through the latter, to the Board of the
16 Corporation, and copies thereof shall be furnished the President of the
17 Philippines, the Secretary of Transportation and Communications and
18 the Presiding Officers of the Two Houses of Congress. The report shall
19 set forth the scope of the audit and shall include a statement of assets
20 and liabilities, capital and surplus or deficit; a statement and surplus or
21 deficit analysis; statement of income and expenses; a statement of
22 sources and application of funds; and such comments and information
23 as may be necessary, together with such recommendations with
24 respect thereto as may be advisable, including a report of any
25 impairment of capital noted in the Audit. The report also shows
26 specifically any program, expenditures or other financial transaction or
27 undertaking observed in the course of Audit, which in the opinion of the
28 Auditor, has been carried on or made without authority of law.

1 **SEC. 16. Legal Counsel** – the Corporation shall have its own legal
2 department, the other chief and members of which shall be appointed by the
3 Board of Directors.

4 **SEC. 17. Exemption from the Land Transportation Commission Act.** –
5 The Corporation shall not be subject to the authority and supervision of the Land
6 Transportation Commission.

7 **SEC. 18. Liquidation.** – When its term or period of existence has expired
8 in accordance with the provision of this Act, the Corporation shall nevertheless,
9 continue as a body corporate for three (3) years after the time of its dissolution
10 for the purpose of prosecuting and defending suits by or against it and of
11 enabling it gradually to settle and close its affairs, to dispose of any convey its
12 properties, but not for the purpose of continuing the business for which it was
13 established. In order to carry out its liquidation, upon the dissolution of the
14 Corporation, a Board of Liquidators shall be appointed by the President to take
15 charge of winding up its corporate affairs and affecting its liquidation.

16 **SEC. 19. Strikes during National Emergency.** – The provisions of law to
17 the contrary notwithstanding, in cases of national emergency, or when in the
18 opinion of the President of the Philippines, the national security or interest is in
19 imminent danger, employees and laborers of the corporation shall not strike for
20 the purpose of securing changes or modification in their terms and conditions of
21 employment during the period of emergency.

22 **SEC. 20. Reversion of General Funds.** – All funds resulting from
23 dissolution and liquidation of the Corporation as herein provided shall revert to
24 the general funds of the Government.

25 **SEC. 21. – Applicability of the Corporation Law.** – The provisions of the
26 Corporation Law which are not inconsistent with the provisions of this Act, shall
27 be applicable to the corporation created hereby.

28 **SEC. 22. Repeal or Modification.** – The provisions of Republic Act No.
29 4156, as amended, creating the Philippine National Railways, and all acts,

1 executive orders, administrative orders, and proclamation or parts thereof
2 inconsistent with any of the provision of this Act, are hereby repealed or modified
3 accordingly.

4 **SEC. 23. Separability Clause.** – In the event any provision of this Act or
5 application of such provision to any person or circumstances is declared
6 unconstitutional, the remainder of this Act or the application of said provision to
7 other persons or circumstances shall not be affected thereby.

8 **SEC. 24. Effectivity.** – This Act shall take effect upon its approval.

9

10 Approved,