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S. No. 237

Introduced by Senator S. R. Osmeña III

EXPLANATORY NOTE


The island of Mindanao, with a land area second only to Luzon has been called the land of promise. Yet, sheer neglect owing partly to its distance from the national capital has led to economic backwardness and disenchantment among its populace, as dramatized by numerous uprisings from among the different ethnic groups of the island.

Today, Mindanao faces numerous exciting possibilities. As part of the Brunei-Indonesia-Malaysia-Philippines East Asian Growth Area (BIMP-EAGA), it stands to gain from an influx of investments and trade creation within the growth area. The island's agriculture, especially in Davao and Zamboanga, spared from the vicissitudes of the seasonal monsoon that ravages the rest of the country, is a rich potential that should be tapped for economic development.

This bill seeks to establish the Mindanao Railways Corporation, mandated to provide railroad transportation to provide links among the key centers of the entire island such as Davao City, Iligan, Cagayan de Oro, Zamboanga City, Cotabato City, Marawi, Pagadian, Ozamiz, Surigao, Butuan, Bislig, Mati, Digos, Malaybalay and Dipolog. With indications of economic activity starting to pick up in these centers, the government's investment in such infrastructure will yield rich returns, not only in terms of financial gains, but also in promoting a more cohesive culture and community spirit among the Mindanao residents.

A critical key in Mindanao's development is the establishment of physical links between its many regions to spur the growth of trade and commerce. Roads, river transport, airports, and seaports must be established. And arguably, a crucial component is a railroad system.

In view of the foregoing, early passage of this bill is earnestly requested.


SERGIO OSMEÑA III
Senator

1 construct and operate in connection with its railroad lines, toll viaducts,
2 toll tunnels and the like.

3 SECTION 3. **Authorized Capital Stock of the Mindanao Railways**

4 **Corporation.** - The Authorized Capital Stock of the Mindanao Railways
5 Corporation shall be One billion pesos (₱1,000,000,000.00) divided into Ten
6 Million Pesos (₱10,000,000.00) shares at par value shares of One Hundred
7 Pesos (₱100.00) each, which shall be fully subscribed by the Philippine
8 Government, twenty percent (20%) of which or Two hundred million Pesos
9 (₱200,000,000.00) shall be initially paid-up and the balance shall be paid from a
10 continuing annual appropriation of not less than Two hundred million pesos
11 (₱200,000,000.00) which is hereby appropriated out of any funds in the National
12 Treasury not otherwise appropriated. The said amount shall be programmed and
13 released by the Budget Commission in accordance with the schedule of cash
14 requirements to be prepared and submitted by the Mindanao Railways
15 Corporation: Provided, That this continuing annual appropriation of Two Hundred
16 Million Pesos (₱200,000,000.00) and the programming and release thereof shall
17 remain in force until the authorized capital subscribed by the Government shall
18 have been paid in full.

19 SECTION 4. **General Powers.** - The Corporation shall have the following
20 general powers:

- 21 a) to do all such other things and to transact all such business directly or
22 indirectly necessary, incidental or conducive to the attainment of the
23 purpose of the corporation; and
24 b) generally, to exercise all powers of a railroad corporation under the
25 Corporation Law.

26 SECTION 5. **Board of Directors, Composition and Appointment.** - The
27 corporate powers of the corporation shall be vested in and exercised by a Board
28 of Directors consisting of eleven members. Six members shall be designated by
29 the Regional Development Councils, *Provided however,* that they shall have

1 been residents of Mindanao for at least seven (7) years immediately preceding
2 their designation. The remaining members of the board shall be the Secretaries
3 of the following departments: Department of Transportation and Communication
4 (DOTC); Department of Tourism (DOT); the Department of Trade and Industry
5 (DTI), the Department of Agriculture (DA, and the Department of Public Works
6 and Highways (DPWH) . The chairman of the board shall be selected by the
7 President of the Philippines. The members of the Board need not be stockholders
8 of the Corporation. The first members of the Board shall serve as designated by
9 the President in their appointments for terms of one, two and three years,
10 respectively, from the date they qualify and assume office; but their successors
11 shall be appointed for terms of three years, except that any person chosen to fill a
12 vacancy shall serve only for the unexpired term of the member whom he
13 succeeds. For actual attendance of the meetings, each such member shall
14 receive a *per diem* of Eight Hundred Pesos(₱800.00).

15 SECTION 6. ***Powers and Duties of the Board of Directors.*** – The
16 Board of Directors shall have the following powers and duties:

- 17 a) To prescribe, amend, and repeal the by-laws, rules and regulations
18 governing the manner in which the general business of corporation may
19 be exercised, including provisions for the formation of such committees
20 or committees as the Board of Directors may deem necessary to
21 facilitate its business.
- 22 b) To appoint and fix the compensation of the General Manager, subject to
23 the approval of the President of the Philippines, and to appoint and fix
24 the compensation of the other officers of the Corporation. The Board by
25 a majority vote of all the members may, for cause, suspend and/or
26 remove the General Manager.
- 27 c) To approve the annual and/or such supplemental budgets of the
28 Corporation which may be submitted to it by the General Manager from
29 time to time.

1 SECTION 7. **Suspension and Removal of Directors.** - Any member of
2 the Board of Directors may, for cause, be suspended or removed by the
3 President of the Philippines.

4 SECTION 8. **Prohibition for Board Members.** - No chairman or member
5 of the Board of Directors of the Corporation shall at the same time serve in the
6 Corporation in any capacity whatsoever other than as Chairman or member
7 thereof, unless otherwise authorized by the President of the Philippines or existing
8 law.

9 SECTION 9. **General Manager; Powers and Duties.** – The management
10 of the Corporation shall be vested in the General Manager, who shall have the
11 following powers and duties:

- 12 a) to direct and manage the affairs and business of the Corporation on
13 behalf of the Board of Directors, and subject to its control and
14 supervision;
- 15 b) to sit in all meetings of the Board of Directors, as Vice Chairman, and
16 participate in its deliberations, with the right to vote, and to prescribe
17 any meetings for or in the absence of the Chairman;
- 18 c) to submit within sixty (60) days after the close of each fiscal year an
19 annual report, through the Board of Directors, to the Office of the
20 President of the Philippines;
- 21 d) To appoint and fix the number and salaries, with the approval of the
22 Board of Directors, of such subordinate personnel as may be necessary
23 for the proper discharge of the duties and functions of the Corporation,
24 and with the approval of the Board of Directors, to remove, suspend, or
25 otherwise discipline, for cause, any subordinate employee of the
26 Corporation; and
- 27 e) To perform such other duties as may be assigned to him by the Board
28 of Directors from time to time.

1 SECTION 10. **Appointment and Promotion.** - In the appointment and
2 promotion of officers and employees, merit and efficiency shall serve as basis;
3 and no political test or qualification shall be prescribed and considered for such
4 appointments or promotions. Said officers and employees shall be subject to the
5 Civil Service Law, rules and regulations.

6 SECTION 11. **Exemption from Taxes, Duties and Port Charges.** - The
7 Corporation is hereby exempt from payment of all taxes of every name and nature
8 – municipal, city, provincial or national – upon its capital stock, franchises, right of
9 way, earnings, and all other property owned or operated by it and all duties on all
10 railways materials, supplies and equipment imported in the Philippines for and/or
11 by the said Corporation and this exemption shall extend to port charges upon
12 vessels whose entire cargo consists of materials for the construction or
13 equipment of the Corporation and to such proportion of the prescribed port
14 charges on other vessels as the tonnage of materials for such constructions or
15 equipment may bear to the tonnage of the cargo of the vessel.

16 SECTION 12. **Audit Personnel and Report.** -

17 a) Personnel - The Commission on Audit shall appoint a representative
18 who shall be the Auditor of the Corporation, and the necessary
19 personnel to assist said representative in the performance of his/her
20 duties. The number and salaries of the Auditor and said personnel shall
21 be determined by the Commission on Audit, subject to appropriation by
22 the Board of Directors. In case of disagreement, the matter shall be
23 submitted to the President of the Philippines whose decision shall be
24 final. Said salaries and all other expenses of maintaining the Auditor's
25 office shall be paid by the Corporation.

26 b) Report - The financial transactions of the Corporation shall be audited
27 in accordance with law, administrative regulations and the principles
28 and procedures applicable to commercial corporate transactions. A
29 report of audit for each fiscal year, by the representative of the

1 Commission on Audit, through the latter, to the Board of Directors of the
2 Corporation, and copies thereof shall be furnished the President of the
3 Philippines, and the Presiding Officers of the two Houses of Congress.
4 The report shall set forth the scope of the audit and shall include a
5 statement of assets and liabilities, capital and surplus or deficit; a
6 statement and surplus or deficit analysis; statement of income and
7 expenses; a statement of sources and application of funds; and such
8 comments and information as may be necessary, together with such
9 recommendations with respect thereto as may be advisable, including a
10 report of any impairment of capital noted in the audit. The report also
11 shows specifically any program, expenditures, or other financial
12 transaction or undertaking observed in the course of audit, which in the
13 opinion of the Auditor, has been carried on or made without authority
14 of law.

15 SECTION 13. **Legal Counsel.** - The Corporation shall have its own legal
16 department, the chief and members of which shall be appointed by the Board of
17 Directors.

18 SECTION 14. **Exemption from the Land Transportation**
19 **Commission Act.** The Corporation shall not be subject to the authority and
20 supervision of the Land Transportation Commission.

21 SECTION 15. **Liquidation.** - When its term or period of existence has
22 expired in accordance with the provision of this Act, the Corporation shall
23 nevertheless continue as a body corporate for three (3) years after the time of its
24 dissolution for the purpose of prosecuting and defending suits by or against it and
25 of enabling it gradually to settle and close its affairs, to dispose of and convey its
26 properties, but not for the purpose of continuing the business for which it was
27 established. In order to carry out its liquidation, upon the dissolution of the
28 Corporation, a Board of Liquidators shall be appointed by the President to take
29 charge of winding up its corporate affairs and effecting its liquidation.

1 SECTION 16. **Strikes During National Emergency.** - The provisions of
2 law to the contrary notwithstanding, in cases of national emergency, or when in
3 the opinion of the President of the Philippines, the national security or interest is
4 in imminent danger, employees and laborers of the Corporation shall not strike
5 for the purpose of securing changing or modification in their terms and conditions
6 of employment during said period of emergency.

7 SECTION 17. **Reversion of General Funds.** - All funds resulting from
8 dissolution and liquidation of the Corporation as herein provided shall revert to the
9 general funds of the Government.

10 SECTION 18. **Applicability of the Corporation Law.** - The provisions of
11 the Corporation Law which are not inconsistent with the provisions of this Act,
12 shall be applicable to the corporation created hereby.

13 SECTION 19. **Repealing Clause.** - The provisions of Republic Act No.
14 4156, as amended, creating the Philippine National Railways and all acts,
15 executive orders, administrative orders, and proclamations or parts thereof
16 inconsistent with any of the provisions of this Act, are hereby repealed or modified
17 accordingly.

18 SECTION 20. **Separability Clause.** - If any part or provision of this Act is
19 declared invalid or unconstitutional, the remaining parts or provisions not affected
20 thereby, shall remain in full force and effect.

21 SECTION 21. **Effectivity.** - This Act shall take effect upon its approval.

22 Approved,