

THIRTEENTH CONGRESS OF THE REPUBLIC
OF THE PHILIPPINES
First Regular Session

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04 JUN 30 P5:47

RECEIVED BY: *Osmeña*

S E N A T E
S. No. 470

Introduced by Senator S. R. Osmeña III

EXPLANATORY NOTE

The worsening traffic problem encountered by Metro Manila in the late 1990's indicated the need to find alternative ways to get around the metropolis. The experience of the Light Rail Transit in transporting more than 400,000 passengers daily showed that rail-based mass transit system can address such a problem. However, with the present financial problems of the LRT, the expansion projects it must undertake to service more commuters is limited.

This bill proposes the creation of the Rail Network Authority as the successor agency of the cash strapped LRT. Under this bill, minimal government subsidy will be required in the form of equity. Private resources will instead be tapped to finance the development, operation and maintenance of rail-based mass transit systems.

The experience of the Light Rail Transit and the Metro Rail Transit proves that rail-based mass transit system is the key to a reliable, safe, efficient and fast transit system.

Early approval of this bill is therefore earnestly requested.

S. Osmeña III
SERGIO OSMEÑA III
Senator

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AN ACT
CREATING THE RAIL NETWORK AUTHORITY, DEFINING ITS POWERS AND
FUNCTIONS, PROVIDING FUNDS THEREFOR AND FOR OTHE PURPOSES

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

1 Section 1. **Declaration of Policy.** -- It is hereby declared to be the policy
2 of the State to promote and encourage the synchronization of the common
3 carrier services in the most practicable, expeditious and cost-effective manner
4 consistent with maximum safety to the public who will avail of these facilities and
5 to foster sound economic conditions within the transportation industry. In the
6 pursuit thereof, the government and the private sector shall interact effectively by
7 performing functions and pursuing priorities for which each is best suited and, at
8 the same time, reinforcing and complementing each other.

9 To the extent that the government has to subsidize and/or financially
10 assist in the development of any rail transit system, the same shall be limited to
11 capital grants, financial guarantees, and/or inclusion of appropriations in the
12 infrastructure program of the government, national and/or local, to cover the
13 construction cost of the carriageways, railtracks, and appurtenant facilities,
14 including the cost of acquisition of right-of-way.

1 Section 2. **Creation of the Rail Network Authority.** – In order to carry
2 out the foregoing transportation policy, there is hereby created a corporate body
3 to be known as the Rail Network Authority, hereinafter called the Authority, which
4 shall be primarily responsible for the planning, development, construction,
5 operation, maintenance, and/or lease of rail transit systems in the Philippines,
6 provisions of Republic Act No. 7924 notwithstanding, giving due regard to the
7 reasonable requirements of the public transportation systems of the country. All
8 powers and prerogatives of the now existing Light Rail Transit Authority (LRTA),
9 created under Executive Order No. 603, series of 1980, as amended, shall be
10 absorbed by the Authority. As such, the Authority shall continue with the (a)
11 Capacity Expansion of Line 1; (b) the planning, construction, and development of
12 Line 2 and subsequent Lines in the Metro Manila Area already started and
13 presently being undertaken by LRTA; (c) supervise the implementation, operation
14 and management of all urban rail lines, LRT and otherwise, which were started
15 under the Department of Transportation and Communications (DOTC); and
16 eventually, in the whole Philippine Archipelago. The principal office of the
17 Authority shall be in the Metropolitan Manila Area, but it may establish branches
18 and agencies elsewhere in the Philippines as may be necessary for the proper
19 conduct of its business and the efficient discharge of its functions. The Authority
20 shall be attached to the Department of Transportation and Communications for
21 purposes of policy coordination.

22 The Authority shall conduct its business according to prudent commercial
23 practices. Any excess of revenues over expenditures in any fiscal year may be
24 applied by the Authority in any way consistent with this Act, including such
25 provisions for the acquisition and/or replacement of capital assets and the
26 repayment of loans and expansion of the network, as the Authority may consider
27 prudent under existing circumstances.

28 Section 3. **The Board of Directors.** -- The powers and functions of the
29 Authority shall be vested in and exercised by the Board of Directors composed

1 on nine (9) members, namely, the Secretary of Transportation and
2 Communications as Chairman, the General Manager of the Authority as Vice-
3 Chairman, the Secretary of Finance, the NEDA Director General, the Secretary
4 of Budget and Management, the Chairman of the Land Transportation
5 Franchising and Regulatory Board, the Chairman of the Metropolitan Manila
6 Development Authority, a representative from the Office of the President, as
7 members, and one (1) representative from the private sector to be appointed by
8 the President. In the absence of the Secretary of Transportation and
9 Communications, the Vice-Chairman shall serve as Chairman.

10 The Board may, in the exercise of its functions, create committees as may
11 be necessary. The officials next to, or such officials duly designated by the
12 regular members, shall serve as alternate members. The alternate members,
13 whose rank should not be lower than a Director level, shall attend meetings of
14 the Board and Committees assigned to them by their principals and receive the
15 corresponding compensation, whenever their principals are absent.

16 The Chairman and each Member of the Board shall receive for every
17 meeting actually attended a per diem not exceeding the monthly salary of the
18 lowest regular employee of the Authority, rounded off to the nearest hundred
19 pesos: *Provided*, That in no case shall the total amount received in any one
20 month by each member exceed three (3) times the per diem per meeting.
21 Members of the Board shall be reimbursed by the Authority for actual expenses,
22 including travel and subsistence expenses incurred by them in the performance
23 of their duties.

24 Section 4. **Functions and Powers.** -- The Authority, through the Board
25 of Directors shall have the following powers:

- 26 1. To have continuous succession under its corporate name until
27 otherwise provided by law;
- 28 2. To prescribe, amend, and/or repeal its by-laws;
- 29 3. To accept and use a seal at its pleasure;

- 1 4. To sue and be sued;
- 2 5. To provide comprehensive policy guidance for the development,
3 operation and promotion of rail transit systems, continuing for the purpose, the
4 activities presently being performed by the LRTA and by the DOTC;
- 5 6. To formulate a comprehensive master strategic plan on urban mass
6 rail transit services in Metro Manila and such other places wherever feasible and
7 necessary for public convenience;
- 8 7. To contract any obligation or enter into, assign or accept the
9 assignment of, and modify or rescind any agreement whenever necessary or
10 incidental to the proper management of the Authority;
- 11 8. To borrow funds from any source, private or public, foreign or
12 domestic, and to issue bonds and other evidence of indebtedness, the payment
13 of which shall be guaranteed by the National Government and charge all or any
14 part of its properties as security therefor, subject to pertinent laws;
- 15 9. To carry on any business consistent with this Act, either alone or in
16 partnership with any person or persons, to form subsidiaries, enter into joint
17 agreements with foreign and/or local entities, including but not limited to, projects
18 or activities involving the Build Operate and Transfer (BOT) concept or its
19 variants. The governing board of each subsidiary so formed and established, for
20 proper management and supervision shall be chaired by the General Manager of
21 the Authority;
- 22 10. To exercise the right of eminent domain, whenever necessary for
23 the attainment of its objectives;
- 24 11. To acquire, receive, take and hold by, bequest, devise, gift,
25 purchase or lease, either absolutely or in trust for the furtherance of any of its
26 purposes, from foreign and domestic sources, any asset, grant or property, real
27 or personal subject to such limitations as are provided in existing laws; to convey
28 or dispose of such assets, grants or properties, movable and immovable; and

1 invest and/or reinvest such proceeds and deal with and expand its assets and
2 income in such manner as will best promote its objectives;

3 12. To improve, develop or alter any property held by it;

4 13. To invest such funds of the Authority available for investment in any
5 manner consistent with its purposes and the provisions of this Act;

6 14. To cooperate, coordinate, and exchange such information, studies
7 and reports with, and to seek the cooperation of other agencies and
8 instrumentalities of the National Government including government-owned and
9 controlled corporations and private sector and other non-government
10 organizations, as will be most effectively conducive to the achievement of the
11 purposes of this Act;

12 15. To determine the fare policy, structure, and amount payable by
13 persons travelling on the network developed by, and/or contracted for, by the
14 Authority;

15 16. To approve additional benefits of the officers and employees of the
16 Authority as recommended by the General Manager;

17 17. To approve under such terms and conditions or amounts in excess
18 of the authority of the General Manager most advantageous to it any claim by or
19 against it;

20 18. To approve the annual corporate budget of the Authority; and

21 19. To exercise such powers and perform such duties as may be
22 necessary to carry out the business and purposes for which the Authority was
23 established or which from time to time, may be declared by the Board of
24 Directors to be necessary for the accomplishment of its purposes;

25 Section 5. **Facilities for the Differently-Abled Persons.** -- In
26 consonance with the spirit and intent of Batas Pambansa Blg. 344 and as
27 compliance therewith, the Authority shall establish and maintain a special transit
28 fund from its rail revenues which shall be used to provide safe, convenient and
29 efficient dedicated transit facilities for differently-abled persons travelling along

1 the transit routes or lines serviced by the Authority. Said special conveyances
2 shall be available during the operating hours of the Authority and at fare rates
3 equivalent to that normally charged for passenger rail service.

4 Section 6. **Domestic Indebtedness.** – Whenever the Board deems it
5 necessary for the Authority to incur indebtedness by contracting loans with
6 domestic financial institutions or to issue bonds to carry out the purposes for
7 which the Authority has been organized, it shall, by resolution, so declare and
8 state the purpose for which the proposed debt is to be incurred and such terms
9 and conditions as it shall deem appropriate for the accomplishment of the said
10 purpose: Provided, That in the case of bond issues, the same shall be subject to
11 the approval of the Secretary of Finance.

12 The bond issued under the authority of this section shall be exempt from
13 the payment of all taxes imposed by the Republic of the Philippines, or by any
14 authority, branch, division or political subdivision thereof which parts shall be
15 stated upon the face of the bonds.

16 Section 7. **Foreign Loans.** – Subject to pertinent provisions of R.A. No.
17 4860 and related issuances, the Authority is hereby authorized to contract loans,
18 credits or indebtedness in any convertible foreign currency or capital goods, from
19 foreign governments or any international financial institutions, or to issue bonds
20 on such terms and conditions as it shall deem appropriate for the
21 accomplishment of these purposes and/or to enter into and execute agreements
22 and other documents specifying such terms and conditions.

23 The President of the Philippines, by himself, or through his duly authorized
24 representatives, is hereby further authorized to guarantee, absolutely and
25 unconditionally as primary obligor and not as surety, in the name and on behalf
26 of the Republic of the Philippines, the payment of the loans credit, indebtedness
27 and bonds issued up to the amount authorized under existing laws, as well as the
28 performance of all or any of the obligations undertaken by the Authority in the
29 territory of the Republic of the Philippines, pursuant to Loan Agreement entered

1 into with foreign governments or any international financial institutions or fund
2 sources.

3 Section 8. **Exemptions from Taxes, Customs and Tariff Duties.** --

4 The importation of equipment, machineries, spare parts, accessories, and other
5 materials, including supplies and services used directly in the construction,
6 installation, and/or operations of the guided transit system whether owned,
7 leased, or contracted by the Authority, shall be exempt from all direct and indirect
8 taxes, customs, duties, fees, imports, tariff duties, compensating taxes, and other
9 levies, the provisions of existing laws to the contrary notwithstanding.

10 Any loan, credit and/or, indebtedness including bond issues contracted by
11 the Authority and the payment of the principal, interest and other charges thereof
12 shall be exempt from all taxes.

13 The depot, carriageways, terminals, stations, rail tracks, parapets and
14 other fixed facilities appurtenant thereto, now existing or that may be constructed
15 in the future, whether elevated, at ground, or underground, shall be considered
16 as public infrastructure in the nature of roads and therefore not subject to capital
17 gains tax, real estate taxes, and any local government tax impositions.

18 Provisions of existing laws to the contrary notwithstanding, the payments
19 of lease, rent, concession fee, and/or purchase price for such assets of the
20 Authority as rail vehicles, track maintenance equipment, signaling system,
21 instruments and other workshop devices, by private entities granted the rights to
22 operate and maintain any component of the rail transit business, shall be exempt
23 from the ten percent (10%) valued added tax.

24 Section 9. **Organization and Management.** -- For the purposes of this
25 Act, the incumbent Administrator of the LRTA shall be the General Manager of
26 the Authority who shall be assisted by Deputy General Managers. The General
27 Manager and Deputy General Managers of the Authority shall be citizens of the
28 Philippines, at least thirty-five (35) years old on the date of their appointment, in
29 excellent health and fitness, of good moral character, of recognized executive

1 ability and competence, with adequate training in either transport planning,
2 engineering, management and economics, finance, law, public utility and other
3 transport related aspects. The General Manager and Deputy General Managers
4 shall be appointed by the President. The Authority shall establish and maintain
5 such departments as it may deem necessary for the proper and efficient
6 transaction and/or operations of its business. The powers and duties of the
7 departments shall be determined by the Board: Provided, That the Office of the
8 Chief Legal Counsel shall advise and represent the Authority in all legal matters,
9 procedures and actions.

10 The salary of the General Manager and the other officers of the Authority
11 shall be set by the Board: Provided, That the total compensation package for the
12 General Manager shall not exceed twenty times the basic salary of the lowest
13 paid regular employee of the Authority.

14 Section 10. ***Powers and Duties of the General Manager.*** -- The
15 General Manager shall have the following powers and duties:

16 1. To represent the Authority in all dealings with other offices,
17 agencies and instrumentalities of the Government and with all other persons and
18 entities, whether public or private, domestic, foreign or international;

19 2. To implement, enforce and apply the policies, programs, plans,
20 standards, guidelines, procedures, decisions, rules and regulations, issued,
21 prescribed, or adopted by the Board of Directors;

22 3. To undertake studies, investigations, and other activities related to
23 the development and operations of the urban rail system and to submit reports to
24 the Board of Directors;

25 4. To undertake studies for present and future requirements of the
26 metropolitan/urban rail network and projects expansion in consultation with
27 appropriate agencies;

28 5. To manage the affairs of the Authority, subject to the provisions of
29 this Act and applicable laws, orders, rules and regulations;

1 6. To determine, with the approval of the Board, the organization
2 structure, the staffing pattern and the number of personnel of the Authority and to
3 define their functions and duties;

4 7. To prescribe rules, regulations and standards towards a safe, fast
5 and reliable rail transit services;

6 8. To employ the necessary consultancy and advisory services and to
7 organize and employ personnel for any project implementation activity;

8 9. To enter into contracts with private or government entities offering
9 administrative, clerical and other services for the efficient performance of
10 services to the public;

11 10. To appoint, discipline and remove for cause personnel of the
12 Authority;

13 11. To prescribe rules and regulations in the conduct of the general
14 business of the Authority as well as to fix and implement the terms and
15 conditions of its related activities.

16 12. To establish, operate and maintain branches or field offices in any
17 part of the country as required by the expansion of its activities;

18 13. To establish and maintain, in coordination with the appropriate
19 government offices and agencies a regular and prompt information system
20 regarding traffic flows, mass rail transit operations, finance and other related
21 data;

22 14. To approve under such terms and conditions most advantageous to
23 the Authority any claim by or against it up to Five Hundred Thousand Pesos
24 (P500,000.00);

25 15. With the approval of the Board, to delegate such functions and
26 duties to proper ranking officials of the Authority for the efficient administration
27 and management thereof;

1 16. To report annually to the President of the Philippines on the status
2 of the Authority's operation and finances, not later than three (3) months after the
3 year-end;

4 17. To perform such other powers and functions as the Board may
5 direct, and such acts as may be necessary and proper to implement this Act;

6 Section 11. **Supplies and Services Other Than Personnel.** -- All
7 purchase of supplies or contracts for services, except for personal services shall
8 be in accordance with the existing government laws, rules and regulations as
9 provided by the Commission on Audit.

10 Section 12. **Merit System.** -- The Authority shall establish a human
11 resource management system which shall govern the selection, hiring,
12 appointment, transfer, promotion, or dismissal of all personnel. Such system
13 shall aim to establish professionalism and excellence at all levels of the
14 Authority's organization in accordance with sound principles of management. A
15 progressive compensation structure shall be instituted as an integral component
16 of the Authority's resource development program and it may grant across-the-
17 board salary increase or modify its compensation structure subject to the
18 approval of the Board.

19 Section 13. **Applicability of the Civil Service Law.** -- All permanent
20 officers and employees of the Authority below the rank of Department Manager
21 shall be subject to the Civil Service Law, rules, and regulations. The hiring of
22 temporary workers, contractuels or casuals for special projects shall be
23 exempted from existing Civil Service rules and regulations.

24 Section 14. **Prohibition Against Strikes, Work Stoppages and**
25 **Slowdowns.** -- In view of the vital nature of transport services and its effect on
26 national interest, the officers and employees of the Authority are prohibited from
27 conducting strikes, work slowdowns or stoppages, and such other acts that may
28 disrupt the delivery of services to the public.

1 Nothing in this provision shall prevent such officers and employees from
2 forming a union or employee association in accordance with Civil Service rules
3 and regulations and for the purposes of securing changes or improvements in the
4 terms and conditions of their employment.

5 Section 15. ***Exemption from Rules and Regulations of the***
6 ***Compensation and Position Classification Office.*** -- All personnel and
7 positions of the Authority shall be governed by Section 12 hereof, and as such
8 shall be exempt from the coverage of the rules and regulations of the
9 Compensation and Position Classification Office.

10 Section 16. ***Annual Accounts.*** -- The Authority shall maintain such
11 accounts and other records under a commercial system of accounting on a
12 calendar year basis.

13 Section 17. ***The Auditor.*** -- In consonance with existing laws and
14 regulations, the Commission on Audit shall appoint and assign such personnel as
15 may be necessary to audit the accounts of the Authority. However, the Authority
16 may engage the services of any person or firm duly authorized by law for the
17 audit of accounts of the Authority as may be necessary.

18 The Auditor, shall as soon as practicable, but later than three (3) months
19 after the accounts have been submitted for audit, send an annual report to the
20 Board. The Auditor may also submit such periodical or special reports to the
21 Board as may appear to him necessary, or requested by the Board.

22 Section 18. ***Authority to Administer Oaths.*** -- The Chairman of the
23 Board, the General Manager, the Deputy General Managers, the Administrative
24 Manager and the Chief Legal Counsel of the Authority shall have the power to
25 administer oaths in connection with the transaction of official business.

26 Section 19. ***Capitalization.*** -- The Authority shall have an authorized
27 capital stock of One Hundred Billion Pesos (P100,000,000,000.00) divided into
28 six hundred (600) million Class "A" shares and four hundred (400) million Class
29 "B" shares all voting and with a par value of One Hundred Pesos (P100.00). The

1 Class "A" shares shall be fully subscribed by the Government or any of its
2 instrumentalities, and may only be owned, sold to, bought or held by a
3 government entity. The Class "B" shares may be owned by private entities
4 whether domestic or foreign and will be available for sale to Filipinos or foreign
5 nationals and may be traded in any manner through tenders, public offerings, or
6 the stock market at such time, and in such numbers, and for such prices not less
7 than par as may be authorized by the Board in accordance with applicable laws:
8 Provided, That in no case shall the subscription of the foreign nationals or entities
9 be more than forty percent (40%) of the authorized capital stock.

10 The subscriptions of the National Government in Class "A" shares shall be
11 paid as follows:

12 1. The actual share in the paid in capital of Light Rail Transit Authority,
13 created under Executive Order No. 603, as amended, in the amount of Two
14 Billion Eight Hundred Thirteen Million Seven Hundred Seventy-Seven Thousand
15 Two Hundred Fifty Three Pesos (P2,813,777,253.00);

16 2. Conversion into equity of all advances made by the National
17 Treasury for payment of maturing debts of the Light Rail Transit Authority, in the
18 equivalent amount of Six Billion One Hundred Ninety-One Million Forty-Four
19 Thousand Four Hundred Sixty-Three Pesos and Fifty-Seven Centavos
20 (P6,191,044,463.57);

21 3. Conversion into equity of the Transfer Credit Facility re-lent by the
22 Philippine National Bank and subsequently transferred to the National
23 Government through the Bureau of Treasury valued at the peso equivalent of
24 Two Hundred Thirty-Two Million Nine Hundred Twenty-Three Thousand Five
25 Hundred Twenty-Five and Sixty-Three Centavos (P232,923,525.63);

26 4. Conversion into equity of Lloyds Bank Loan subsequently
27 restructured into bonds by the Bureau of Treasury, valued at the peso equivalent
28 of Five Hundred Thirty-Six Million Five Hundred Twenty Thousand Pesos
29 (P536,520,000.00);

1 5. Conversion into equity of other obligations of the Light Rail Transit
2 Authority, which are outstanding at the effectivity of this Act, as their payments
3 become due, to be valued in equivalent pesos at the prevailing rates at the time
4 of actual payments, more particularly described as follows:

5 a. Public Debt re-lent by the Department of Finance (Belgian
6 Loan) with an approximate amount of One Hundred Eighteen Million
7 Pesos (P118,000,000.00);

8 b. Buyers Credit Society Generale de Banque with an
9 approximate amount of Eighty-Six Million Pesos (P86,000,000.00);

10 c. Belgian State Loans with an approximate amount of Six
11 Hundred Twenty-Six Million Pesos (P626,000,000.00);

12 d. Land Bank of the Philippines loan valued at Sixty-Six Million
13 One Hundred Twenty-Five Thousand Pesos (P66,125,000.00) and

14 e. Swiss Mixed Financing (Amendment No. 1) valued at Three
15 Million Eight Hundred Eighty-Three Thousand Eight Hundred Sixty-Eight
16 Pesos and Twenty Centavos (P3,883,868.20).

17 6. Any capital gains that may be derived from the privatization of LRT
18 Line 1 and Line 2, net of expenses incurred therefrom; and

19 7. Such amounts as may be appropriate from time to time from the
20 funds of the National Treasury not otherwise appropriated, or from any other
21 source that Congress may hereinafter identify.

22 Section 20. **Sources of Funds and the Operating Budget of the**
23 **Authority.** -- The annual expenditures including capital outlay of the Authority
24 shall be funded out of corporate funds, loan proceeds and/or from any other
25 source that may be identified by Congress.

26 Section 21. **Management of Funds.** -- As part of a prudent cash flow
27 management practice, the Authority may from time to time invest any of its funds
28 not immediately required to be expended in meeting its obligations or in the

1 discharge of its functions, in such secured notes, government securities, and
2 other negotiable instruments that satisfy the guidelines prescribed by the Board.

3 Funds other than equity and directly-contracted loans of the Authority,
4 such as capital grants, loan proceeds, and appropriations by the National
5 Government as capital subsidy for mass transit projects may be disbursed
6 through or administered by the Authority. The corresponding fixed assets
7 procured thereby shall be considered the property of the national government,
8 but their care and maintenance shall be borne by the Authority as the beneficial
9 owner.

10 All funds of the Authority shall be deposited in such commercial and
11 universal banks as may be authorized by the Board.

12 Section 22. **Penalties.** -- Any person who willfully or maliciously gives
13 false or misleading data or information, or conceals or falsifies a material fact, in
14 any investigation, inquiry or hearing or other proceedings held by the Board of
15 Directors or the Authority or any one duly acting in their behalf, shall be dealt with
16 according to pertinent provisions of existing penal laws.

17 Section 23. **Relationship with Other Government Instrumentalities.** --
18 The Authority shall be the primary government agency responsible for the
19 planning and integrated development of urban transit systems whether monorail,
20 light rail, heavy rail, or any other guided mode of mass transit that may be
21 hereinafter be invented, in Metropolitan Manila and in other large cities of the
22 country. It shall coordinate with the Metropolitan Manila Development Authority
23 (MMDA) in the planning of future transit lines and the expansion of the network in
24 the national capital region, and in the development of public inter-modal transport
25 terminals or stations by itself, or in joint venture with the MMDA and/or the private
26 sector. The Philippine National Railways may continue to operate its Commuter
27 Train service independent of the Authority: Provided, However, That its
28 expansion into other transport corridors within Metropolitan Manila shall be
29 coordinated with the Authority.

1 The Northrail project initiated by the Bases Conversion Development
2 Authority to provide a rail link between Metropolitan Manila and the Clark Special
3 Economic Zone shall not be affected by this Act, except that at station or stations
4 where transfers between the Authority's network and that of the Northrail may
5 occur. Development of the common stations shall be coordinated by the parties
6 concerned, but in case of conflict the Authority's mass transit plan shall prevail.

7 Urban rail transit projects contracted by the national government, or may
8 hereinafter pursue, under the Build-Operate-Transfer law shall be delegated to or
9 assumed by the Authority so that the rights and interest of the government shall
10 accrue to, and be exercised by, the Authority.

11 Nothing in this Act shall prevent cities and other local government units
12 from pursuing the development of mass transit systems in their respective
13 jurisdictions in accordance with the Local Government Code either through Build-
14 Operate-Transfer Law or through their own funding. Assistance shall be
15 provided by the Authority when so requested by the local government unit
16 concerned. However, when a locally-initiated mass transit project will entail
17 funding and/or guarantee from the national government, the Authority shall take
18 primary responsibility. In urban areas where rail transit system is found to be
19 economically viable, the prior consent of local government unit shall be secured
20 by the Authority before any further steps are taken.

21 Section 24. **Abolition of LRTA.** -- The Light Rail Transit Authority
22 (LRTA) is hereby abolished. All powers and duties, rights and choices of actions,
23 vested by law or exercised by the LRTA are hereby transferred to the Authority.
24 All real and personal properties which upon the effectivity of this Act are vested
25 in, or owned by LRTA are hereby transferred to the Authority without need of
26 conveyance, transfer or assignment. Likewise, all assets, liabilities (other than
27 BTR advances and debts enumerated under Section 19 hereof), appropriations,
28 obligations, contracts, records, and documents relating to the operation of LRTA
29 are hereby transferred to the Authority created under this Act.

1 Section 25. ***Transitory Provisions.*** -- Pending implementation of the
2 Authority's organizational structure and staffing pattern and the appointment of its
3 officers, all officials and employees of the present LRTA and its subsidiary shall
4 continue to exercise their present duties and functions and receive their salaries
5 and allowances until such time as they shall have been given notice of change of
6 duties and functions.

7 The incumbent Administrator of the LRTA shall continue to hold office and
8 assume the powers and functions of the General Manager of the Authority
9 created under this Act.

10 Officials and employees of the LRTA shall be absorbed into the Authority
11 on the basis of merit and fitness: Provided, That those who shall opt to be
12 separated or get separated or terminated as a result of the organization of the
13 Authority, shall be entitled to gratuity pay at the rate equivalent to one and a half
14 (1 ½) month's salary for every year of service in the government, in addition to
15 the retirement benefits or pensions under existing retirement laws. Within six (6)
16 months from the effectivity of this Act, the Authority shall formulate a program to
17 privatize operations and maintenance of LRT Line 1 and LRT Line 2, including
18 the sale and/or dissolution of Metro Transit Organization, Inc. The privatization
19 program shall be approved by the Secretary of Transportation and
20 Communications and implemented after informing the appropriate Committees of
21 the House of Representatives and the Senate. The Secretary is hereby
22 authorized to implement the privatization of the LRT system and accordingly, sell,
23 dispose of, convey, encumber or transfer any or all of the Authority's assets,
24 stocks, and other resources to the private sector, in accordance with existing
25 rules and regulations. The winning bidder or bidders shall be granted, where
26 appropriate with the corresponding franchise or authority as a public transport
27 carrier, consistent with the provisions of Executive Order No. 125, series of 1987,
28 and of Republic Act No. 7718.

1 Section 26. -- **Repealing and Separability Clauses.** -- Executive Order
2 No. 603 dated July 12, 1980, as amended, is hereby repealed. All other laws,
3 executive orders, decrees, rules and regulations or parts thereof that are
4 inconsistent with any of the provisions of this Act are hereby repealed, amended
5 or modified accordingly.

6 If for any reason, any section or provision of this Act is declared to be
7 unconstitutional or invalid, the other sections or provisions hereof which are not
8 affected thereby, shall continue to remain in full force and effect.

9 Section 27. **Effectivity.** -- This Act shall take effect fifteen (15) days after
10 its approval and publication in at least two (2) newspapers of general circulation.

Approved