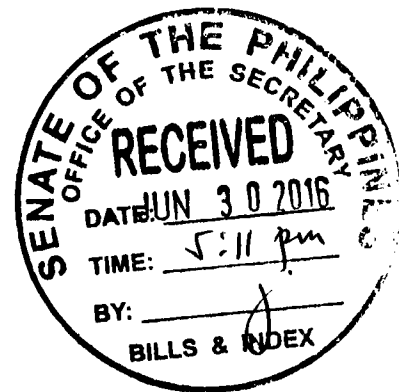


SEVENTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )



SENATE

S.B. No. 152

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Introduced by **Senator JOSEPH VICTOR G. EJERCITO**

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**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**

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 enacted. The said law created the Philippine National Railways (PNR), which also define it as a corporation that serves as the instrumentality of the government in providing a nation-wide railroad and transportation system.

On June 16, 2014, Republic Act 10638 was approved. This law extends PNR's corporate existence for another 50 years. However, despite the grant of extension on its corporate life, the PNR is said to run a "loss leader" operation, that is, the more trips the train runs, the more losses it incur. This can be attributed to its purely manual operations as well as its aged and obsolete train system equipment and facilities, resulting to poor operating potentials and high leakage rate. For instance, for the first half of 2014, PNR suffered a cash deficit of Php85,464,170.00, which translated to a monthly loss of Php13,244,028.00.<sup>1</sup>

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.

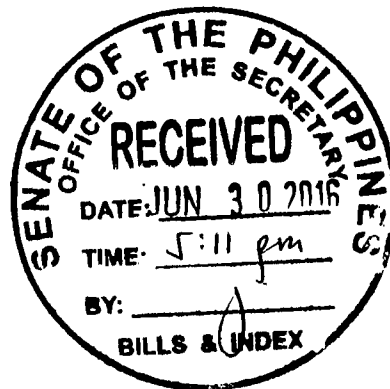
In view of the foregoing, passage of the bill is earnestly sought.

  
**JOSEPH VICTOR EJERCITO**

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<sup>1</sup>Data from Philippine National Railways

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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.** Section 3 of Republic Act Four thousand One Hundred Fifty Six,  
2 as amended by Republic Act Six Thousand Six Hundred Sixty Six and  
3 Presidential Decree Seven Hundred Forty One is hereby replaced to read as  
4 follows:  
5

6 "SEC. 3. AUTHORIZED CAPITAL STOCK OF THE PHILIPPINE  
7 NATIONAL RAILWAYS. THE AUTHORIZED CAPITAL STOCK OF  
8 THE PHILIPPINE NATIONAL RAILWAYS SHALL BE FIFTY  
9 BILLION PESOS DIVIDED INTO THREE MILLION ONE  
10 HUNDRED THIRTEEN THOUSAND COMMON SHARES ALL  
11 WITH PAR VALUE OF TWO HUNDRED PESOS EACH, WHICH  
12 SHALL INCLUDE THE PRESENT AUTHORIZED  
13 CAPITALIZATION OF THE PHILIPPINE NATIONAL RAILWAYS:  
14 PROVIDED, THAT THE INCREASE IN THE AUTHORIZED  
15 CAPITAL SHALL BE FULLY SUBSCRIBED BY THE  
16 GOVERNMENT: PROVIDED FURTHER, THAT ALL EXISTING  
17 LONG TERM OBLIGATIONS OF THE PHILIPPINE NATIONAL  
18 RAILWAYS TO THE GOVERNMENT OF THE PHILIPPINES  
19 INCLUDING ITS AGENCIES OR INSTRUMENTALITIES AS WELL  
20 AS ITS TAX OBLIGATION TO ANY LOCAL GOVERNMENT UNIT  
21 SHALL BE CONVERTED INTO CAPITAL STOCKS OF THE  
22 PHILIPPINE NATIONAL RAILWAYS AND MADE A PART OF THE  
23 SUBSCRIPTION: PROVIDED, STILL FURTHER, THAT THE  
24 INCREASE IN AUTHORIZED CAPITAL STOCK HEREIN  
25 PROVIDED IS DISTINCT AND SHALL NOT PREJUDICE THE  
26 ANNUAL APPROPRIATION PROVIDED IN THE YEARLY GAA.

1 THE AMOUNT RAISE BY VIRTUE OF THE INCREASE IN THE  
2 AUTHORIZED CAPITAL STOCK, IN ADDITION TO THE  
3 EXISTING SINKING FUND OF THE PNR ESTABLISHED FROM  
4 ITS EXISTENCE, SHALL BE USED FOR THE CONSTRUCTION  
5 OF NEW RAILROAD LINE AND WHENEVER ECONOMICALLY  
6 AND TECHNICALLY FEASIBLE, THE REHABILITATION  
7 AND/OR MODERNIZATION OF MOST OF THE ENTIRE  
8 RAILWAY SYSTEM OF PNR THROUGHOUT THE COUNTRY.  
9

10 **SECTION 2.** A new subsection, Section 2-E, shall be inserted to read as  
11 follows:  
12

13 "SEC. 2-E. THE PHILIPPINE NATIONAL RAILWAYS SHALL BE  
14 ALLOWED TO ENTER INTO A JOINT VENTURE WITH A  
15 QUALIFIED PRIVATE SECTOR PARTNER, PARTICULARLY AND  
16 EXCLUSIVELY FOR THE PURPOSE OF OPERATIONS AND  
17 MAINTENANCE SUBJECT TO THE APPROVAL OF THE BOARD,  
18 WITH AT LEAST TWO-THIRDS (2/3) VOTE, IN A MEETING  
19 CALLED FOR THE PURPOSE. PROVIDED, THAT SUCH PLANS  
20 AND/PROGRAMS OF ENTERING TO A JOINT VENTURE WERE  
21 CONSISTENT WITH THE OVERALL OBJECTIVES OF THE  
22 CORPORATION AS RECOMMENDED BY THE GENERAL  
23 MANAGER, PROVIDED FINALLY, THAT THE PROCUREMENT  
24 PROCEDURE SHALL COMPLY WITH THE EXISTING  
25 GOVERNMENT PROCUREMENT LAW. IN ANY EVENT THAT  
26 INCREASE IN FARE RESULTED BY REASON OF THE  
27 PRIVATIZATION OF PNR'S OPERATIONS AND MAINTENANCE,  
28 THE INCREMENTAL INCREASE IN VALUE BETWEEN THE  
29 REAL FARE AND NOMINAL FARE SHALL BE SUBSIDIZED AND  
30 PAID FOR BY THE PHILIPPINE GOVERNMENT AND SHALL BE  
31 COVERED BY YEARLY AUTOMATIC APPROPRIATIONS  
32 PROVIDED IN THE GENERAL APPROPRIATIONS ACT."  
33

34 **SECTION 3.** A new subsection, Section 2-F, shall be inserted to read as  
35 follows:  
36

37 "SEC. 2-F. TO DEPUTIZE AND/OR OBLIGATE LGU'S TO  
38 ENFORCE AND IMPLEMENT, IN COLLABORATION WITH THE  
39 GOVERNMENT CORPORATE COUNCIL (GCC), THE  
40 RESTORATION OF PNR'S RIGHT-OF-WAY SO AS TO RETURN  
41 THE LAND AROUND THE STATIONS AND RESTORATION OF  
42 PNR'S RIGHTS TO USE. IN PROCESS, REWARDING THE LGU'S  
43 FOR THEIR EFFORT AND PENALIZING LGU'S FOR THEIR  
44 REFUSAL OR INABILITY TO IMPLEMENT THE RESTORATION  
45 OF PNR'S RIGHTFUL USE AND POSSESSION OF LAND ON THE  
46 RIGHT-OF-WAY AND AROUND STATIONS SHALL BE THE  
47 BASIC POLICY FOR ENFORCEMENT."  
48

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

3  
4 "SEC 2-G. TO PENALIZE CRIMINALLY AND/OR CIVILLY ANY  
5 PERSON(S)' INTERFERENCE WITH THE FREE FLOW,  
6 UNHAMPERED USE, AND PASSAGE OF PNR TRAINS ALONG  
7 THEIR LEGAL RIGHT OF WAY (TRACKS, BRIDGES, TURNOUTS,  
8 INTERCONNECTIONS, AND ALL ASSOCIATED LINKAGES),  
9 SUCH AS DISREGARDING SIGNALS AND TRAIN CROSSINGS  
10 DANGEROUSLY ON THE PATH OF ONCOMING TRAINS,  
11 PLACING DEAD BODIES ALONG OR ON TOP OF THE TRACKS  
12 AND ITS LINKAGES, WHETHER AS A CONSEQUENCE OF A  
13 CRIME OR NOT, SLEEPING, PLAYING ON, IDLING ON  
14 RAILROAD TRACKS AND ITS LINKAGES, PLACING BOULDERS  
15 OR OBJECTS THAT OBSTRUCT, THROWING OBJECTS AT  
16 PASSING TRAINS, AND SIMILAR ACTS OF DESTRUCTION AND  
17 OBSTRUCTION. COMMITTING OR ATTEMPTING TO COMMIT  
18 SUICIDE ALONG THE RAILROAD TRACKS AND ITS LINKAGES,  
19 BUILDING STRUCTURES-PERMANENT OR OTHERWISE  
20 ALONG THE PNR LEGAL RIGHT-OF-WAY AND/OR REFUSING  
21 TO VACATE THE SAME UPON DEMAND. IF SUCH ACT(S)  
22 CAUSES OR HAS POTENTIAL TO CAUSE, OR RESULT IN  
23 DEATH OR INJURY TO PERSONS AND/OR DAMAGE TO  
24 PROPERTY/IES SUCH PARTY/IES WHO, WITH INTENT TO  
25 CAUSE, OR ACTUALLY CAUSED SUCH INTERFERENCE,  
26 OBSTRUCTION, WHETHER OR NOT RESULTING IN INJURY OR  
27 DEATH, DAMAGE TO PNR TRAINS, TRACKS, LINKAGES,  
28 AND/OR PNR PROPERTY, SHALL BE HELD CRIMINALLY AND  
29 CIVILLY LIABLE BY PNR. DEVOID OF ANY EVIDENCE TO THE  
30 CONTRARY, PNR IS PRESUMPTIVELY ABSOLVED FROM  
31 CRIMINAL AND CIVIL LIABILITY."  
32

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

35  
36 Sec. 3-A. Foreign Loans. The PHILIPPINE NATIONAL  
37 RAILWAYS[Corporation] is hereby authorized to contract loans,  
38 credits and indebtedness IN DOMESTIC CURRENCYOR in any  
39 convertible foreign currency, or capital goods from foreign  
40 governments, their agencies instrumentalities or financial  
41 institutions, or any governmental national or international  
42 financial institutions or firms extending supplier's credit,  
43 deferred payment arrangements or other funds sources, or to  
44 issue bonds, [the total outstanding amounts of which, exclusive  
45 of interests, shall not exceed two hundred million United States  
46 dollars or the equivalent thereof and other currencies,] on such  
47 terms and conditions as it shall deem appropriate for the  
48 accomplishment of its purposes and to enter into and execute

1 agreements and other documents specifying such terms and  
2 conditions.

3  
4 The President of the Philippines, through the Secretary of  
5 Finance, is hereby authorized to guarantee, absolutely and  
6 unconditionally, as primary obligor and not as surety merely, in  
7 the name and on behalf of the Republic of the Philippines, the  
8 payment of the loans, credits, indebtedness and bonds issued  
9 [up to the amount herein authorized,]which shall be over and  
10 above the amount which the President of the Philippines is  
11 authorized to guarantee under Republic Act Numbered Sixty-  
12 One Hundred and Forty-Two as amended, as well as the  
13 performance of all or any of the obligations undertaken by the  
14 Corporation in the territory of the Republic of the Philippines  
15 pursuant to loan agreements entered into with foreign  
16 governments or any international financial institutions or fund  
17 sources.

18  
19 The loans, credits and indebtedness contracted under this  
20 subsection and the payment of the principal, interest and other  
21 charges thereon, as well as the importation of machinery,  
22 equipment, materials, supplies and services, by the Corporation,  
23 paid from the proceeds of any loan, credit or indebtedness  
24 incurred under this Act, shall also be exempted from all charges  
25 and restrictions previously and presently imposed, and to be  
26 imposed by the Republic of the Philippines, or any of its  
27 agencies and political subdivisions.

28  
29 **SECTION 6.** Section 9 of Republic Act Numbered Four thousand One  
30 Hundred and Fifty-Six as amended by Republic Act Numbered Sixty-Three  
31 Hundred and Sixty-Six and PD 741 is hereby amended to read as follows:

32  
33 "Sec. 9. Managing Head. The Management of the Corporation  
34 shall be vested in the General Manager who shall be appointed  
35 by the President of the Philippines. He shall possess technical  
36 competence in management preferably in railroad transport  
37 management, have demonstrated executive ability, and be of  
38 good moral character. He shall hold office for a term of SIX (6)  
39 [eight (8)] years.

40  
41 In the performance of his functions, he shall be assisted by  
42 Assistant General Managers who shall be appointed by him with  
43 the approval of the Board of Directors and the President.

44  
45 **SECTION 7.**Section 12 of Republic Act Four thousand One hundred Fifty  
46 Six, as amended is hereby amended to read as follows:

47  
48 Sec. 12. Exemption from taxes, duties, [and] port charges or  
49 dues AND customs bonds [and port charges]. The PHILIPPINE

1 NATIONAL RAILWAYS [Corporation] is hereby exempt from  
2 payment of all taxes of any kind [every name] and nature.  
3 INCLUDING THOSE IMPOSED BY municipal, city, provincial or  
4 national upon its capital stock, franchise, right of way, earnings,  
5 and all property owned or operated by it and all import duties  
6 on all railway materials, rolling stocks, spare parts, supplies  
7 and equipment imported in the Philippines for and/or by the  
8 said corporation, and this exemption shall extend to wharfage  
9 dues, storage charges, arrastre, and shipside charges, and  
10 special duties on such importations, and other port charges  
11 upon the carrying vessels whose entire cargo consists of  
12 materials for the construction of its projects and rehabilitation  
13 of its lines, facilities and to such proportion of the prescribed  
14 port charges on other vessels as the tonnage of materials for  
15 such constructions or equipment may bear to the tonnage of the  
16 entire cargo of the vessel; and such exemption shall further  
17 extend to the filing of general importer's and general  
18 documentary bonds and warehouse bonds for the operation of  
19 its warehouses, whether general bonded warehouses or general  
20 order store.

21  
22 NOTWITHSTANDING THE PROVISIONS OF ANY OTHER LAWS  
23 TO THE CONTRARY, THE EXEMPTION FROM TAXES, DUTIES  
24 AND PORT CHARGES OR DUES, CUSTOMS BONDS PORT  
25 CHARGES ENJOYED BY THE PHILIPPINE NATIONAL  
26 RAILWAYS AS PROVIDED FOR IN SECTION 12 OF REPUBLIC  
27 ACT FOUR THOUSAND ONE HUNDRED FIFTY SIX AS  
28 AMENDED BY RA 6366 AND PD 741 IS HEREBY REAFFIRMED  
29

30 **SECTION 8. Separability Clause.** – If any portion or provision of this Act is  
31 declared unconstitutional or invalid, the other provisions hereof not affected  
32 thereby shall remain valid and effective.  
33

34 **SECTION 9. Repealing Clause.** – All laws, executive orders, presidential  
35 decrees, presidential proclamations, rules and regulations or parts thereof  
36 inconsistent with the provisions of this Act are hereby repealed or modified  
37 accordingly.  
38

39 **SECTION 10. Effectivity.** – This Act shall take effect fifteen (15) days after  
40 its publication in the Official Gazette or in a newspaper of general  
41 circulation.  
42  
43  
44

45 Approved,