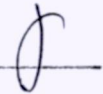


EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

SENATE  
S. No. 687

Office of the Secretary

'19 JUL 22 P3:35

Introduced by Senator Aquilino "Koko" Pimentel III 

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

EXPLANATORY NOTE

This bill seeks to create the Mindanao Railways Corporation as a means to hasten the development of Mindanao.

The collective experiences of Japan, Canada, the United States of America and most of Europe show how railroad networks have spurred and sped up national development. In these places, railroads opened up vast land areas for human settlement and made it possible to transport massive number of people and huge volume of goods at the lowest cost. The influx of people into areas previously unsettled, the easy mobility of the populace, and the availability of goods needed for civilized life mean higher productivity of the land and its people.

A railroad network crisscrossing Mindanao will considerably shorten the travel time between Zamboanga and my hometown, Cagayan de Oro, or Davao and Cagayan de Oro. That will, in turn, mean a reduction

of the transportation cost of goods and travel cost for people whose end destination is the Visayas or Luzon, and vice versa.

Considering all the foregoing, approval of this bill is earnestly sought.

  
AQUILINO "KOKO" PIMENTEL III

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

1       **SECTION 1.** *Statement of Policy.* – The Mindanao Railways  
2 Corporation, being a factor for socio-economic development and growth,  
3 shall be part of the infrastructure program of the government and as such,  
4 shall remain in and under government ownership during its corporate  
5 existence. The Mindanao Railways Corporation must be administered  
6 with the view of serving the interests of the public by providing them the  
7 maximum of service. While aiming at its greatest utility by the public, the  
8 viability of its operation must be ensured so that services can be rendered  
9 at the minimum passenger and freight prices possible.

10       **SEC. 2.** *Name, Duration, and Domicile.* – A corporation to be  
11 known as the Mindanao Railways Corporation (hereinafter,  
12 “Corporation”) is hereby created to serve as the instrumentality of the  
13 Philippine government in providing a railroad and transportation system



1 for the whole island of Mindanao. It shall have its main office in Cagayan  
2 de Oro and shall have such branches and agencies within the Philippines  
3 as may be necessary for the proper conduct of its business. This  
4 Corporation shall exist for a term of fifty (50) years from the date of  
5 approval of this Act and shall be an attached agency of the Department of  
6 Transportation (DOTr).

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

9       a) To exercise the right of eminent domain whenever necessary for the  
10 attainment of its objectives;

11       b) To borrow money and contract loans, credits, or indebtedness from  
12 domestic or foreign sources for the furtherance of its goals and  
13 objectives;

14       c) To do all such other things and to transact all such business directly  
15 or indirectly necessary, incidental or conducive to the attainment of  
16 the purpose of the corporation; and

17       d) Generally, to exercise all powers of a corporation under *Batas*  
18 *Pambansa Blg. 68* otherwise known as “The Corporation Code of  
19 the Philippines,” as amended.

20       **SEC. 4. *Purposes and Specific Powers.*** – The Corporation shall  
21 have the following purposes and specific powers:

22       a) To own or operate railroad trainways, subways, bus lines, trucklines,  
23 or other kinds of land transportation, vessels, and pipelines, for the  
24 purpose of transporting, for consideration, passengers, mails, and  
25 property between any point in Mindanao; and

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

7       **SEC. 5.**   *Authorized Capital Stock of the Corporation.* – The  
8       authorized capital stock of the Corporation shall be One hundred billion  
9       pesos (PhP 100,000,000,000.00) divided into Five hundred million  
10      (500,000,000) common shares all with par value of Two hundred pesos  
11      (PhP 200.00), which shall be fully subscribed by the National  
12      Government and other government institutions, corporations,  
13      instrumentalities, and agencies, whether national or local, within the  
14      framework of their respective charters, twenty-five percent (25%) of  
15      which or Twenty-five billion pesos (PhP 25,000,000,000.00) shall be  
16      initially paid-up and the balance shall be paid from a continuing annual  
17      appropriation of not less than Two billion pesos (PhP 2,000,000,000.00).  
18      The said amount shall be programmed and released by the Department of  
19      Budget and Management (DBM) in accordance with the schedule of cash  
20      requirements to be prepared and submitted by the Corporation; *Provided,*  
21      That this continuing annual appropriation of Two billion pesos (PhP  
22      2,000,000,000.00) and the programming and release thereof shall remain  
23      in force until the authorized capital subscribed by the Government shall  
24      have been paid in full.

25      **SEC. 6.** *Loans.* – The Corporation is hereby authorized to contract  
26      loans, credits and indebtedness in any domestic or convertible foreign  
27      currency, from foreign governments, their agencies, instrumentalities or  
28      financial institutions, or any non-governmental national or international



1 financial institutions or firms extending suppliers credit deferred payment  
2 arrangement or other fund sources, or to issue bonds, on such terms and  
3 conditions as it shall deem appropriate for the accomplishment of its  
4 purpose and to enter into and execute documents and other documents  
5 specifying such terms and conditions.

6 The President of the Philippines, through the Secretary of Finance,  
7 is hereby authorized to guarantee, absolutely and unconditionally, as  
8 primary obligor and not merely as surety, in the name and on behalf of the  
9 Republic of the Philippines, the payment of the loans, credits,  
10 indebtedness and bond issued, which shall be over and above the amount  
11 which the President of the Philippines is authorized to guarantee under  
12 *Republic Act No. 4860*, as amended by *Republic Act No. 6142*, as well as  
13 the performance of all or any of the obligations undertaken by the  
14 Corporation in the territory of the Republic of the Philippines pursuant to  
15 loan agreements entered into with foreign governments or any  
16 international financial institutions or fund sources.

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

25 **SEC. 7. Board of Directors, Composition, and Appointment.** – The  
26 corporate powers of the Corporation shall be vested in and exercised by

1 the Board of Directors, hereinafter referred to as the “Board”, composed  
2 of:

3 a. A Chairman to be appointed by the President;

4 b. The General Manager of the Corporation who shall be its Vice-  
5 Chairman;

6 c. The Undersecretary of Planning and Infrastructure Projects of the  
7 DOTr;

8 d. An Undersecretary of the Department of Finance;

9 e. The Deputy Director-General for Investment Programming of the  
10 National Economic and Development Authority (NEDA);

11 f. An Undersecretary of the Office of the Executive Secretary, Office  
12 of the President; and

13 g. Three (3) other members to be appointed by the President.

14 The Chairman and the three appointive members of the Board as  
15 stated in Sec. 7 (g) shall serve for a period of six (6) years; *Provided*, That  
16 of the three appointive members, one member shall be appointed for a  
17 term of two (2) years, one member for four (4) years, and one member for  
18 six (6) years; *Provided, further*, That their successors shall be appointed  
19 for a term of six (6) years except that any person appointed to fill a  
20 vacancy shall only serve for the unexpired term of the member succeeded.

21 The officials next in rank to the members of the Board listed in Sec.  
22 7 (c), (d), (e) and (f), as designated by them, shall serve as alternate  
23 members. The alternate members shall attend the meetings of the Board



1 whenever their principals are absent or the said positions are vacant, and  
2 shall receive the same benefits and privileges as their principals.

3 For actual attendance of Regular or Special Board meetings, or  
4 Board Committee meetings, the members of the Board shall receive a per  
5 diem, to be determined by the Governance Commission for Government  
6 Owned or Controlled Corporations (GCG).

7 All necessary expenses of the members of the Board to attend  
8 meetings and to discharge their official duties, within the limits allowable  
9 by the GCG, shall be paid directly by the Corporation in the form of cash  
10 advance or reimbursement.

11 **SEC. 8.** *Qualifications of Appointive Members of the Board.* – The  
12 appointive members of the Board of Directors shall be Filipino citizens,  
13 at least thirty-five (35) years of age at the time of their appointments,  
14 persons of good moral character and holders of degrees in the field of  
15 transport planning, engineering, economics, management, finance,  
16 marketing, law, or related courses, with preference for those with masteral  
17 degrees in such fields or experience in railway management and  
18 operations for at least five (5) years. All such officials must be residents  
19 of Mindanao for at least five (5) years prior to their respective  
20 appointments.

21 **SEC. 9.** *Powers and Duties of the Board of Directors.* – The Board  
22 of Directors shall have the following powers and duties:

23 a) To prescribe rules and regulations, or policies governing the  
24 manner in which the general business of the Corporation may be  
25 exercised;

26 b) To recommend amendments of, or the repeal of by-laws;



- 1 c) To fix the compensation of the General Manager and Assistant  
2 General Managers, subject to the approval of the GCG, and to  
3 appoint and fix the compensation of the other officers of the  
4 Corporation;
- 5 d) To approve, the annual and/or such supplemental budgets of the  
6 Corporation;
- 7 e) By a two-thirds vote of all members, to recommend to the  
8 President the suspension or removal for cause of the General  
9 Manager or Assistant General Manager(s);
- 10 f) Upon recommendation of the General Manager, to approve the  
11 appointment of all officials of the Corporation from the rank of  
12 division head and above;
- 13 g) Subject to the provisions of applicable laws and regulations, and  
14 upon recommendation of the General Manager, to reorganize the  
15 Corporation, determine its staffing pattern, or define the  
16 functions and duties of organization units and personnel; and
- 17 h) To expropriate, with just compensation, the necessary “right of  
18 way” needed by the Corporation to acquire, maintain, and/or  
19 expand its track lines.

20 **SEC. 10.** *Suspension and Removal of Directors.* – Any member of  
21 the Board may, for cause, be suspended or removed by the President of  
22 the Philippines.

23 **SEC. 11.** *Prohibition for Board Members.* – No Chairman or  
24 member of the Board of Directors of the Corporation shall at the same

1 time serve in the Corporation in any capacity whatsoever other than as  
2 Chairman or member thereof, unless otherwise authorized by law.

3       **SEC. 12. *Managing Head.*** – The management of the Corporation  
4 shall be vested in the General Manager who shall be appointed by the  
5 President of the Philippines upon the recommendation of the Board. He  
6 shall possess technical competence in management, preferably in railroad  
7 transport management, have demonstrated executive ability, and be of  
8 good moral character. He shall hold office for a term of six (6) years.

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

12       **SEC. 13. *Powers and Duties of the General Manager.*** – The  
13 General Manager shall have the following powers and duties:

- 14       a) To direct and manage the affairs and business of the Corporation on  
15       behalf of the Board, subject to the policies, rules, and regulations  
16       established by the Board;
- 17       b) To sit in all meetings of the Board as Vice-Chairman, and participate  
18       in its deliberations, with the right to vote, and to preside in any  
19       meeting for or in the absence of the Chairman;
- 20       c) To recommend to the Board short-and-long range plans and  
21       programs consistent with the overall objectives of the Corporation;
- 22       d) To submit and recommend consolidated annual budget and propose  
23       capital and other supplemental budgets to the Board;
- 24       e) To appoint officials and employees below the rank of a division head  
25       and to suspend or otherwise discipline for cause, all subordinate



1 officials and employees of the Corporation; *Provided, however,*  
2 That in the case of removal for cause, approval of the Board shall be  
3 necessary;

4 f) To recommend to the Board such changes in the organizational  
5 structure and staffing pattern of the Corporation as may be necessary  
6 to carry out its functions effectively;

7 g) To submit to the Office of the President and to the Congress of the  
8 Philippines, through the Board of Directors, within sixty (60) days  
9 after the close of each fiscal year, an annual report on the operations  
10 of the Corporation or such other reports as may be required; and

11 h) To perform such other duties as may be assigned to him by the Board  
12 of Directors from time to time.

13 **SECTION 14.** *Appointment and Promotion of Personnel.* – In the  
14 appointment and promotion of officers and employees of the Corporation,  
15 merit and efficiency shall serve as basis, and no political test or  
16 qualification shall be prescribed and considered for such appointments or  
17 promotions.

18 **SECTION 15.** *Exemption from Taxes, Duties, Port Charges or*  
19 *Dues, and Customs Bonds.* – The Corporation is hereby exempt from  
20 payment of all taxes of any kind and nature, including those imposed by  
21 municipal, city, provincial, or national governments, upon its capital  
22 stock, franchise, right of way, earnings, and all other property owned or  
23 operated by it in relation to its principal and auxiliary purposes, and all  
24 import duties on all railways materials, rolling stocks, spare parts, supplies  
25 and equipment imported in the Philippines for and/or by the said  
26 Corporation and this exemption shall extend to wharfage dues, storage

1 charges, arrastre, and shipside charges, and special duties on such  
2 importations, and other port charges upon the carrying vessels whose  
3 entire cargo consists of materials for the construction of its projects or  
4 rehabilitation of its lines, facilities, and to such proportion of the  
5 prescribed port charges on other vessels as the tonnage of materials for  
6 such construction or equipment may bear to the tonnage of the entire cargo  
7 of the vessel; and such exemption shall further extend to the filing of  
8 general importer's and general documentary bonds and warehouse bonds  
9 for the operation of its warehouses, whether general bonded warehouses  
10 or general order store. These exemptions shall extend to the Value-Added  
11 Tax (VAT), Expanded Value-Added Tax (E-VAT), or any subsequent  
12 VAT laws.

13       **SECTION 16.** *Audit Personnel and Report.* –

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

23       b) Report – The financial transactions of the Corporation shall be  
24       audited in accordance with law, administrative regulations and the  
25       principles and procedures applicable to commercial corporate  
26       transactions. The representative shall submit a report of audit of each  
27       fiscal year to the Board of Directors of the Corporation, and copies



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

14      **SECTION 17. *Legal Department.*** – Any provisions of law or  
15      executive order to the contrary notwithstanding, the Corporation shall  
16      have its own Legal Department, which shall handle all legal matters  
17      affecting the Corporation; Provided, That the Office of the Government  
18      Corporate Counsel shall provide assistance and supervision in the  
19      handling of court cases of the Corporation.

20      **SECTION 18. *Exemption from Regulation.*** – The Corporation  
21      shall not be subject to the authority and supervision of the Land  
22      Transportation Franchising and Regulatory Board (LTFRB) or any  
23      similar regulatory body.

24      **SECTION 19. *Liquidation.*** – When its term or period of existence  
25      has expired in accordance with the provision of this Act, the Corporation  
26      shall nevertheless, continue as a body corporate for three years after the  
27      time of its dissolution for the purpose of prosecuting and defending suits

1 by or against it and of enabling it to gradually settle and close its affairs,  
2 to dispose of and convey its properties, but not for the purpose of  
3 continuing the business for which it was established. In order to carry out  
4 its liquidation, upon the dissolution of the Corporation, a Board of  
5 Liquidators shall be appointed by the President to take charge of winding  
6 up its corporate affairs and effecting its liquidation.

7       **SECTION 20.** *Reversion of General Funds.* – All funds resulting  
8 from dissolution and liquidation of the Corporation as herein provided  
9 shall revert to the general funds of the Government.

10       **SECTION 21.** *Separability Clause.* – In the event any provision of  
11 this Act or the application of such provision to any person or  
12 circumstances is declared unconstitutional, the remainder of this Act or  
13 the application of said provision to other persons or circumstances shall  
14 not be affected thereby.

15       **SECTION 22.** *Repealing Clause.* – The provisions of Republic Act  
16 No. 4156, as amended, creating the Philippine National Railways and all  
17 Acts, Executive Orders, and Proclamations or parts thereof inconsistent  
18 with any of the provisions of this Act, are hereby repealed or modified  
19 accordingly.

20       **SECTION 23.** *Effectivity.* – This Act shall take effect upon its  
21 publication in a newspaper of general circulation.

*Approved,*