

[REPUBLIC ACT No. 4156]

AN ACT CREATING THE PHILIPPINE NATIONAL RAILWAYS, 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:*

SECTION 1. *Name, Duration and Domicile.*—A corporation to serve as the instrumentality of the Government of the Philippines in providing a nation-wide railroad and transportation system, is hereby created, to be known as the Philippine National Railways, which shall exist for a term of fifty years from the date of approval of this Act. It shall have its main office in the City of Manila,

and shall have such branches and agencies within or outside the Philippines as may be necessary for the proper conduct of its business. The Corporation shall be under the Office of Economic Coordination.

SEC. 2. *Purposes and specific powers.*—The Philippine National Railways shall have the following purposes and specific powers:

(a) To acquire and hold the assets of the Manila Railroad Company of the Philippine Islands, and to succeed to, or acquire, maintain and operate such grants, concessions and franchises as are now held and enjoyed by the said Manila Railroad Company of the Philippine Islands;

(b) To own or operate railroads, tramways, and other kinds of land transportation, vessels and pipelines, for the purpose of transporting, for consideration, passengers, mail and property between any points in the Philippines; and

(c) As an auxiliary to its main purpose, to own and/or operate powerhouses, hotels, restaurants, terminals, warehouses, timber concessions, coal mines, iron and other mineral properties and to manufacture rolling stock, equipment, tools and other appliances; to construct and operate in connection with its railroad lines, toll viaducts, toll tunnels.

SEC. 3. *Authorized capital stock of the Philippine National Railways.*—The authorized capital stock of the Philippine National Railways shall be two hundred fifty million pesos divided into one million two hundred fifty thousand par value shares of two hundred pesos each, which shall include the present capitalization of the Manila Railroad Company: *Provided*, That the increase in the authorized capital shall be fully subscribed by the Government: *Provided, further*, That the existing long term obligations of the Manila Railroad Company to the Government of the Philippines including its agencies or instrumentalities, in the amount of ninety-two million six hundred thousand pesos shall be converted into capital stocks of the Philippine National Railways and made a

part of the subscription: *Provided, still further*, That the Philippine National Railways shall, aside from its authorized capital stock of two hundred fifty million pesos, receive from the Government of the Philippines the amounts allocated under Republic Acts Numbered Eighteen hundred sixty-seven, Sixteen hundred twenty-three and Eighteen hundred one, for the construction of new railroad lines to the Cagayan Valley, and to the Province of Sorsogon, and the rehabilitation of the Cabanatuan line, respectively: *And, provided, finally*, That the additional amount of one hundred twenty million pesos be set aside, and the entire amount or so much thereof as may be needed by the Philippine National Railways be made available to the Philippine National Railways at least one year before the completion of the Cagayan and/or Sorsogon construction projects, for the purchase of motive power, rolling stocks and other supplies for use in the new lines, it being specified that fifty million pesos of the authorized capital of the Philippine National Railways shall be invested for the purchase of motive power and rolling stock for the railway project in Mindanao and five million pesos or so much thereof for the survey of said railway project.

SEC. 4. *General Powers.*—The Philippine National Railways shall have the following general powers:

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

(b) Generally, to exercise all powers of a railroad corporation under the Corporation Law.

SEC. 5. *Board of Directors, Composition and Appointment.*—The corporate powers of the corporation shall be vested in and exercised by a Board of Directors of not more than eleven and not less than five members as may be fixed by the President of the Philippines, consisting of chairman, vice-chairman and other members, appointed by the President of the Philippines with the consent of the Commission on Appointments. The

members of the Board need not be stockholders of the Corporation. The first members of the Board shall serve as designated by the President in their appointments for terms of one, two, and three years, respectively, from date they qualify and assume office; but their successors shall be appointed for terms of three years, except that any person chosen to fill a vacancy shall serve only for the unexpired term of the member whom he succeeds. For actual attendance of meetings, each such members shall receive a *per diem* of twenty-five pesos.

SEC. 6. *Powers and Duties of the Board of Directors.*—The Board of Directors shall have the following powers and duties:

(a) To prescribe, amend and repeal, with the approval of the Administrator of Economic Coordination, by-laws, rules and regulations governing the manner in which the general business of corporation may be exercised, including provisions for the formation of such committee, or committees as the Board of Directors may deem necessary to facilitate its business.

(b) To appoint and fix the compensation of the General Manager, subject to the approval of the President of the Philippines, and to appoint and fix the compensation of the other officers of the Corporation, with the approval of the Administrator of Economic Coordination. The Board by a majority vote of all the members, may, for cause, and with the approval of the President of the Philippines, suspend and/or remove the General Manager.

(c) To approve, subject to the final action of the Administrator of Economic Coordination, the annual and/or such supplemental budgets of the Corporation which may be submitted to it by the General Manager from time to time.

SEC. 7. *Suspension and removal of Directors.*—Any member of the Board of Directors may be suspended or removed by the President of the Philippines.

SEC. 8 *Prohibition for Board Members.*—No chairman or member of the Board of Directors of the Corporation

shall at the same time serve in the Corporation in any capacity whatsoever other than as Chairman or member thereof, unless otherwise authorized by the President of the Philippines or existing law.

SEC. 9. *Managing head.*—The management of the Corporation shall be vested in the General Manager.

SEC. 10. *Powers and duties of the General Manager.*—The General Manager shall have the following powers and duties:

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

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

(c) To submit within sixty days after the close of each fiscal year an annual report, through the Board of Directors, to the Office of the President of the Philippines;

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

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

SEC. 11. *Appointment and promotion.*—In the appointment and promotion of officers and employees, merit and efficiency shall serve as basis, and no political test or qualification shall be prescribed and considered for such appointments or promotions. Said officers and employees shall be subject to the Civil Service Law, rules and regulations.

SEC. 12. *Exemption from taxes, duties and port charges.*—The Corporation is hereby exempt from payment of all taxes of every name and nature—municipal, city, provincial, or national—upon its capital stock, fran-

chises, rights of way, earnings, and all other property owned or operated by it and all duties on all railways materials, supplies and equipment imported in the Philippines for and/or by the said Corporation and this exemption shall extend to port charges upon vessels whose entire cargo consists of materials for the construction or equipment of the Corporation and to such proportion of the prescribed port charges on other vessels as the tonnage of materials for such constructions or equipment may bear to the tonnage of the entire cargo of the vessel.

SEC. 13. *Audit Personnel and Report.*—

(a) *Personnel.*—The Auditor General shall appoint a representative who shall be the Auditor of the Corporation, and the necessary personnel to assist said representative in the performance of his duties. The number and salaries of the Auditor and said personnel shall be determined by the Auditor General, subject to appropriation by the Board of Directors. In case of disagreement, the matter shall be submitted to the President of the Philippines whose decision shall be final. Said salaries and all other expenses of maintaining the Auditor's office shall be paid by the Corporation.

(b) *Report.*—The financial transactions of the Corporation shall be audited in accordance with law, administrative regulations, and the principles and procedures applicable to commercial corporate transactions. A report of audit for each fiscal year, by the representative of the Auditor General, through the latter, to the Board of Directors of the Corporation, and copies thereof shall be furnished the President of the Philippines, the Administrator of Economic Coordination and the Presiding Officers of the two Houses of Congress. The report shall set forth the scope of the audit and shall include a statement of assets and liabilities, capital and surplus or deficit; a statement and surplus or deficit analysis; statement of income and expenses; a statement of sources and application of funds; and such comments and information as may be necessary, together with such recom-

mendations with respect thereto as may be advisable, including a report of any impairment of capital noted in the audit. The report also shows specifically any program, expenditures, or other financial transaction or undertaking observed in the course of audit, which in the opinion of the Auditor, has been carried on or made without authority of law.

SEC. 14. *Legal Counsel.*—Any provision of law or executive order to the contrary notwithstanding, the Philippine National Railways shall have its own legal department, the chief and members of which shall be appointed by the Board of Directors.

SEC. 15. *Exemption from the Public Service Act.*—The Philippine National Railways shall not be subject to the authority and supervision of the Public Service Commission.

SEC. 16. *Liquidation.*—When its term or period of existence has expired in accordance with the provision of this Act, it shall nevertheless, continue as a body corporate for three years after the time of its dissolution for the purpose of prosecuting and defending suits by or against it and of enabling it gradually to settle and close its affairs, to dispose of and convey its properties, but not for the purpose of continuing the business for which it was established. In order to carry out its liquidation, upon the dissolution of the Corporation, a Board of Liquidators shall be appointed by the President to take charge of winding up its corporate affairs and affecting its liquidation.

SEC. 17. *Strikes during national emergency.*—The provisions of law to the contrary notwithstanding, in cases of national emergency, or when in the opinion of the President of the Philippines, the national security or interest is in imminent danger, employees and laborers of the Corporation shall not strike for the purpose of securing changes or modification in their terms and conditions of employment during said period of emergency.

SEC. 18. *Reversion of General Funds.*—All funds resulting from dissolution and liquidation of the Corporation

as herein provided shall revert to the general funds of the Government

SEC. 19. *Applicability of the Corporation Law.*—The provisions of the Corporation Law which are not inconsistent with the provisions of this Act, shall be applicable to the corporation created hereby.

SEC. 20. *Repeal or Modifications.*—All Acts, Executive Orders, Administrative Orders, and Proclamations or parts thereof inconsistent with any of the provisions of this Act, are hereby repealed or modified accordingly.

SEC. 21. *Separability Clause.*—In the event any provision of this Act or the application of such provision to any person or circumstance is declared unconstitutional, the remainder of this Act or the application of said provision to other persons or circumstances shall not be affected thereby.

SEC. 22. *Dissolution of the Manila Railroad Company of the Philippine Islands.*—The Corporation known as Manila Railroad Company of the Philippine Islands is hereby abolished and dissolved. Its rights, permanent personnel, assets, liabilities and obligations of all kinds are hereby transferred to or assumed by the Corporation herein created. A process of liquidation shall be decided upon, and carried out, in accordance with general principles of law and accounting procedures.

SEC. 23. *Effectivity.*—This Act shall take effect upon its approval.

Approved, June 20, 1964.

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