

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City, Metro Manila

**SEVENTEENTH CONGRESS**  
First Regular Session

**HOUSE BILL NO. 123**



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**Introduced by: REPRESENTATIVE CELSO L. LOBREGAT**

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

**EXPLANATORY NOTE**

This is a re-filed bill originally filed during the 16<sup>th</sup> Congress as Senate Bill No. 3095, House Bill No. 3055 and House Bill No. 5736 by Senator Aquilino "Koko" Pimentel III, Representatives Rufus and Maximo Rodriguez, and Representative Mark Villar, respectively. The said bills seek to create the Mindanao Railways Corporation (MRC) as a means to hasten the development of the Islands of Mindanao.

Based on the Terms of Reference (TOR) of the National Economic and Development Authority (NEDA) for the conduct of the Feasibility Study (F/S) of the Mindanao Railway Project (MRP), the proposed MRP is supportive of the thrust of the Updated 2011-2016 Philippine Development Plan (PDP), specifically under Chapter 10 (Accelerating Infrastructure Development). The major shortcoming of the transportation sector is the lack of integrated and coordinated transport network. Global assessments of the country's transport infrastructure network indicate that its quality and capacity remain low. One of the major problems that result in disparities in the transport network is the lack of integration between national and local government plans and programs/projects, which contributes to the low capacity and quality of infrastructure facilities.

Mindanao shares the same restraints in transport infrastructure improvements. A fast, safe, reliable, efficient, convenient, dependable, environment- friendly and alternative mode of transport will provide the people of Mindanao the benefits of reduced travel time and increased opportunities for economic activities, thus

improve physical connectivity within Mindanao. A railroad network crisscrossing Mindanao will considerably shorten the travel time between my hometown Zamboanga City and Cagayan de Oro, or Davao and Cagayan de Oro.

Enhanced interconnectivity and linkages through passenger and freight railway transport development will further boost tourism, trade and commerce in Mindanao. The proposed railway transport service will play a major role towards improvement of Mindanao's intra island accessibility, linkages and seamless multimodal transport networks. The island is strategically located and has potential as a major transshipment point and center of trade in the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth (BIMP-EAGA) region.


The development of MRP has long been planned but never realized. Mindanao is the second largest island group with an area of 106 thousand square kilometers and has a 22 million population with an annual population growth rate of 1.9 percent from 2000 to 2010.

The proposed MRP will complement programs/projects that will address the lingering problem on poor quality of roads and incomplete road networks in some parts of Mindanao.

The collective experience of Japan, Canada, the United States of America and most of Europe shows how railroad networks have spurred and sped up the national development. In these nations, railroads opened up vast land areas for human settlement and made it possible to transport tremendous 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 and services needed for civilized life means higher productivity of the land and its people.

We must benefit from the experience of other countries whose railway systems up to today provide people and goods the cheapest and fastest way of mass transit movement.

In view of the foregoing, approval of this bill is earnestly sought.

  
**CELSO LOBREGAT**  
Representative  
Zamboanga City, 1<sup>st</sup> District

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

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

**SECTION 2. *Name, Duration and Domicile.*** – A Corporation to serve as the instrumentality of the Government of the Philippines in providing a railroad and transportation system for the whole island of Mindanao is hereby created, to be known as the Mindanao Railways Corporation, which for purposes of this Act shall be called the Corporation. The Corporation shall exist for a term of fifty (50) years

from the date of approval of this Act. It shall have its main office in Cagayan de Oro City and shall have such branches and agencies within or outside the Philippines as may be necessary for the proper conduct of its business. This Corporation shall be an attached agency of the Department of Transportation and Communications (DOTC).

**SECTION 3. General Powers.** – The Corporation shall have the following general powers:

- a) To exercise the right of eminent domain whenever necessary for the attainment of its objectives;
- b) To borrow money and contract loans, credits, or indebtedness from domestic or foreign sources for the furtherance of its goals and objectives;
- c) 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
- d) Generally, to exercise all powers of a corporation under Batas Pambansa Blg. 68 otherwise known as “The Corporation Code of the Philippines,” as amended.

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

- a) To own or operate railroad trainways, subways, bus lines, trucklines, or other kinds of land transportation, vessels, and pipelines, for the purpose of transporting, for consideration, passengers, mails, and property between any point in Mindanao; and
- b) 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 stocks, equipment, tools and other appliances, to construct and operate in connection with its railroad lines, toll viaducts, toll tunnels and the like.

**SECTION 5. *Authorized Capital Stock of the Corporation.-***

The authorized capital stock of the Corporation shall be Fifty Billion (P50,000,000,000.00) Pesos divided into Five Hundred Million (P500,000,000.00) Pesos common shares at par value shares of One Hundred (P100.00) Pesos each, which shall be fully subscribed by the Philippine Government, twenty percent of which or Ten Billion (P10,000,000,000.00) Pesos shall be initially paid-up and the balance shall be paid from a continuing annual appropriation of not less than One Billion (P1,000,000,000.00) Pesos which is hereby appropriated out of any funds in the National Treasury not otherwise appropriated. The said amount shall be programmed and released by the Department of Budget and Management in accordance with the schedule of cash requirements to be prepared and submitted by the Corporation; Provided, that this continuing annual appropriation of One Billion (P1,000,000,000.00) Pesos and the programming and release thereof shall remain in force until the authorized capital subscribed by the Government shall have been paid in full.

**SECTION 6. *Loans.-*** The Corporation is hereby authorized to contract loans, credits and indebtedness in any domestic or convertible foreign currency, or capital goods, from foreign governments, their agencies, instrumentalities or financial institutions, or any non- governmental national or international financial institutions or firms extending suppliers credit deferred payment arrangement or other fund sources, or to issue bonds, the total outstanding amount of which, exclusive of interest, shall not exceed

exceed Five Hundred Million (\$500,000,000.00) United States dollars or the equivalent thereof in other currencies, on such terms and conditions as it shall deem appropriate for the accomplishment of its purpose and to enter into and execute documents and other documents specifying such terms and conditions.

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

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

**SECTION 7. Board of Directors, Composition, and Appointment.** – The corporate powers of the Corporation shall be vested in and exercised by the Board of Directors, hereinafter referred to as the “Board”, composed of a Chairman to be appointed by the

President; the General Manager of the Corporation as Vice-Chairman; the Secretary of the DOTC; the Secretary of Finance; the Director of the National Economic and Development Authority; the Secretary of Agriculture; and three (3) other members to be appointed as Board Members by the President.

The Chairman and three appointive members of the Board shall serve for a period of six years; Provided, That in the initial appointments, one member shall be appointed for a term of two years, one member for four years, and one member for six years; Provided further, That their successors shall be appointed for a term of six years except that any person appointed to fill a vacancy shall only serve for the unexpired term of the member succeeded.

The officials next in rank to the ex-officio members of the Board, as designated by them, shall serve as alternate members. They shall attend the meetings of the Board whenever their principals are absent or the said positions are vacant and shall receive the same benefits and privileges as their principals.

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

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

**SECTION 8. *Qualifications of Appointive Members of the Board.*** – The appointive members of the Board of Directors who need not be stockholder of the Corporation, shall be Filipino citizens, at



least 35 years of age at the time of their appointments, and shall be of good moral character, competent, experienced and holders of degrees in the field of transport planning, engineering, economics, management, finance, marketing, law, or related courses, with preference for those with masteral degrees in such fields or experience in railway management and operations for at least five (5) years. All such officials must be residents of Mindanao for at least five (5) years prior to their respective appointments.

**SECTION 9. 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 by laws, rules and regulations governing the manner in which the general business of the 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 fix the compensation of the General Manager and Assistant General Managers, subject to the approval of the GCG, and to appoint and fix the compensation of other officers of the Corporation;
- c) To approve, the annual and/or such supplemental budgets of the Corporation which may be submitted to it by the General Manager from time to time;
- d) By a two-thirds vote of all members, to suspend or remove for cause the General Manager or Assistant General Manager(s);
- e) Upon recommendation of the General Manager, to approve the appointment of all officials of the Corporation from the rank of division head and above;



- f) Subject to the provisions of applicable laws and regulations, and upon recommendation of the General Manager, to reorganize the Corporation, determine its staffing pattern, or define the functions and duties of organization units and personnel; and
- g) To expropriate, with rightful compensation, the necessary “right of way” needed by the Corporation to acquire, maintain, and/or expand its track lines.

**SECTION 10. *Suspension and Removal of Directors.***- Any member of the Board may, for a cause, be suspended or removed by the President of the Philippines.

**SECTION 11. *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 law.

**SECTION 12. *Managing Head.***- The Management of the Corporation shall be vested in the General Manager who shall be appointed by the Board. He shall possess technical competence in management, preferably in railroad transport management, have demonstrated executive ability, and be of good moral character.

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

**SECTION 13. 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, subject to the policies, rules, and regulations established by the Board;
- b) To sit in all meetings of the Board as Vice-Chairman, and participate in its deliberations, with the right to vote, and to preside in any meeting for or in the absence of the Chairman;
- c) To recommend to the Board short-and-long range plans and programs consistent with the overall objectives of the Corporation;
- d) To submit and recommend consolidated annual budget and propose capital and other supplemental budgets to the Board;
- e) To appoint officials and employees below the rank of a division head and to suspend or otherwise discipline for cause, all subordinate officials and employees of the Corporation;
- f) To recommend to the Board such changes in the organizational structure and staffing pattern of the Corporation as may be necessary to carry out its functions effectively;
- g) To submit to the Office of the President of the Philippines and to the Congress of the Philippines, through the Board of Directors, within sixty (60) days after the close of each fiscal year, an annual report on the operations of the Corporation or such other reports as may be required; and
- h) To perform such other duties as may be assigned to him by the Board of Directors from time to time.

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

**SECTION 15. *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, franchises, right 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 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.

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

- a) Personnel – The Commission on Audit shall appoint a representative who shall be the Auditor of the Corporation, and the necessary personnel to assist the said representative in the performance of his duties. The number and salaries of the Auditor and said personnel shall be determined by the Commission on Audit, 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 of each fiscal year, the representative of the Commission on Audit, through the latter, to be Board of Directors of the Corporation, and copies thereof shall be furnished the President of the Philippines, the Secretary of Transportation and Communications 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 recommendations 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 transactions or undertaking observed in the course of the audit, which in the opinion of the Auditor, has been carried on or made without authority of law.

**SECTION 17. *Legal Department.*** – The Corporation shall have its own legal department, the chief and members of which shall be appointed by the Board of Directors; Provided, That the Office of the Government Corporate Counsel shall provide assistance and supervision in the handling of court cases of the Corporation.

**SECTION 19. *Liquidation.*** – When its term or period of existence has expired in accordance with the provision of this Act. The Corporation shall nevertheless, continue as a body corporate for three (3) 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 effecting its liquidation.

**SECTION 20. *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 in its 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.

**SECTION 21. *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.

**SECTION 22. *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.

**SECTION 23. *Separability Clause.*** – In the event any provision of this Act or the application of such provision to any person or circumstances is declared unconstitutional, the remainder of this Act or the application of said provision to other persons or circumstances shall not be affected thereby.

**SECTION 24. *Repeal or Modifications.*** – The provisions of Republic Act No. 4156, as amended, creating the Philippine National Railways and all Acts, Executive Orders, and Proclamations or parts thereof inconsistent with any of the provisions of this Act, are hereby repealed or modified accordingly.

**SECTION 25. *Effectivity.*** – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a national newspaper of general circulation.

Approved,