

[REPUBLIC ACT NO. 6366, August 16, 1971]

AN ACT TO PROVIDE FOR THE REHABILITATION AND MODERNIZATION OF THE PHILIPPINE NATIONAL RAILWAYS BY AMENDING SECTIONS ONE, THREE, FIVE, NINE, ELEVEN, TWELVE, FOURTEEN, AND SEVENTEEN, OF REPUBLIC ACT NUMBERED FORTY-ONE HUNDRED FIFTY-SIX, ENTITLED "AN ACT CREATING THE PHILIPPINE NATIONAL RAILWAYS, PRESCRIBING ITS POWERS, FUNCTIONS AND DUTIES, AND PROVIDING FOR THE NECESSARY FUNDS FOR ITS OPERATIONS."

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

SECTION 1. Section one of Republic Act Numbered Forty-one hundred fifty-six is hereby amended by inserting thereafter Section one-a which shall read as follows:

"SECTION 1-a. *Statement of Policy.*—The Philippine National Railways, 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 Philippine National Railways must be administered with the view of serving the interests of the public by providing them the maximum of service and while aiming at its greatest utility by the public, the economy of operation must be ensured so that service can be rendered at the minimum passenger and freight prices possible."

SEC. 2. Section three of the same Act is hereby amended to read as follows:

"SEC. 3. *Authorized Capital Stock of the Philippine National Railways.*—The authorized capital stock of the Philippine National Railways shall be six hundred fifty million pesos divided into three million one hundred thirteen thousand common shares and one hundred thirty-seven thousand preferred shares, both with par value of two hundred pesos each, which shall include the present capitalization of the Philippine National Railways: *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 six 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 line to the Cagayan Valley, and to the Province of Sorsogon, and whenever economically and technically feasible, the rehabilitation of the Cabanatuan Line, respectively: And, *provided, finally*, That the additional amount of the 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 and for the Manila-Bulacan-Pampanga-Tarlac-Pangasinan-La Union Line and the reactivation and reconstruction of the old La Union-Baguiio Line, it being specified that at least fifty million pesos of the authorized capital of the Philippine National Railways shall be invested as soon as practicable but not later than two years from the approval of this Act, for the purchase of motive power and rolling stocks for the railway project in Mindanao and five million pesos or so much thereof for the survey, economic and technical feasibility studies of said railway project, which shall be undertaken within six months from the approval of this Act."

SEC. 3. Section three of the same Act is hereby further amended by inserting thereafter sections three-a, three-b, three-c and three-d which shall read as follows:

"SEC. 3-a. The unpaid subscription of the Government in the amount of P489,732,158.00 shall be paid as follows:

1. the following obligations of the Philippine national railways to the Philippine government as of December 31, 1970, are hereby converted into common shares of stock to be held by the national government:

"(a) R & D Bonds 4% loan purchase in 1951 of ten (10) steam locomotives: Due May 15, 1996	P1,984,400.00		
Outstanding Interest	<u>1,038,082.24</u>	P3,022,482.24	
"(b) Loan acquired under R.A. No. 1000	P300,000.00		
Outstanding interest	<u>60,717.81</u>	360,717.81	
"(c) Promissory note of June 30, 1965,	P3,300,000.00		

with 5% interest			
Outstanding interest	<u>981,123.30</u>	P4,281,123.30	
"(d) Franchise Tax liability		<u>P3,404,712.05</u>	P11,069,035.40
"2. The obligation of the Philippine National Railways to the Reparations Commission amounting to P15,712,029.74 as of December 31, 1970 is hereby converted into common shares of stock to be held by the Special Economic Development Fund of the National Government			P15,712,029.74
"3. The obligation of the Philippine National Railways to the Central Bank of the Philippines amounting to P19,127,438.43 as of December 31, 1970 is hereby converted into common shares of stock to be held by the National Government which shall assume payment of said obligation out of the profits of the Central Bank accruing to the General Fund, so much of which as may be necessary is hereby appropriated for the purpose			P19,127,438.43
"4. The following outstanding obligations of the Philippine National Railways under Indent Bid No. 17 are hereby converted into common shares of stock to be held by the National Government which shall assume payment of said obligation, and for this purpose so much as may be necessary is hereby appropriated from the 50% portion of the proceeds of the stabilization tax under Republic Act Numbered Sixty-one hundred and twenty-five, the provisions of paragraph (a) of Section four of said Act to the contrary notwithstanding:			
	<i>In US Dollars</i>	<i>In Philippine Pesos Estimated at P6.50 To \$1</i>	
FY 1972	\$1,789,000	P11,628,500	
1973	1,726,000	11,219,000	
1974	1,663,000	10,809,500	
1975	1,600,000	10,400,000	
1976	1,537,000	9,990,500	
1977	1,475,000	9,587,500	
1978	<u>1,109,000</u>	<u>7,208,500</u>	
	<u>10,809,000</u>	<u>70,843,500</u>	70,843,500.00
"5. The obligation of the Philippine National Railways to the Philippine National Bank amounting to P19,999,256.39 as of December 31, 1970 is hereby converted into common shares of stock to be held by the Philippine			P19,999,256.39

National Bank			
"6. The obligation of the Philippine National Railways to the Development Bank of the Philippines amounting to P18,925,405.74 as of December 31, 1970 is hereby converted into common shares of stock to be held by the Development Bank of the Philippines			18,925,405.74
"7. The following obligations of the Philippine National Railways to the Government Service Insurance System as of December 31, 1970:			
"(a) Life and retirement insurance premiums—employer's and employees' shares	P25,247,641.81		
"(b) Salary loan installments deducted from employee- borrowers	P1,421,138.14		
"(c) Premiums for property insurance fund	<u>731,220.20</u>		
	<u>P27,400,000.15</u>		
are hereby converted into preferred shares of stock with guaranteed dividends of 6% <i>per annum</i> , cumulative and redeemable during a period of five years, and fully guaranteed by the National Government.			27,400,000.15
"8. To finance the foreign exchange costs of the rehabilitation and selective modernization program of the Philippine National Railways, the sum of P124,491,250 is hereby appropriated from the Special Economic Development Fund under Republic Act Numbered Seventeen hundred and eighty-nine, as amended, and applied to the payment of the government subscription to common stock, as follows:			
FY 1972		P46,800,000.00	
1973		11,797,500.00	
1974		26,763,750.00	
1975		<u>39,130,000.00</u>	
		<u>P124,491,250.00</u>	
Provided, That this appropriation or any part thereof may be substituted by equivalent allocation of capital goods from the dollar component of reparations, as follows:			
FY 1972		\$7,200,000.00	
1973		1,815,000.00	