

PRESIDENTIAL DECREE NO. 505

PROVIDING FOR THE REORGANIZATION OF PORT ADMINISTRATION AND OPERATION FUNCTIONS IN THE COUNTRY, CREATING THE PHILIPPINE PORT AUTHORITY, PAVING THE WAY FOR THE ESTABLISHMENT OF INDIVIDUAL, AUTONOMOUS PORT/ INDUSTRIAL ZONE AUTHORITIES IN THE PORT/ INDUSTRIAL ZONE AUTHORITIES IN THE DIFFERENT PORT DISTRICTS, AND FOR OTHER PURPOSES.

WHEREAS, a port is not only a vital link in the total transportation and trade system, but a major factor in harnessing the human and natural resources of a region in the total context of National Development;

WHEREAS, harbors and the tributary areas have their own peculiar potentialities to be considered in port development;

WHEREAS, the concept of port administration has in this country been focused on the traditional functions of revenue collection, harbor maintenance and cargo handling, to the exclusion of the port's fuller utilization and development as a spur for regional growth;

WHEREAS, it is perceived that the broader role of ports goes beyond the function of serving as the hub of maritime trade but extends to the wider area of acting as a catalyst that may hasten the expansion of the economic development of an area;

WHEREAS, there is need to integrate and coordinate port development at the national level and at the same time promote the growth of autonomous regional port development bodies responsive to the needs of their individual localities;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of powers in me vested by the Constitution, in order to effect the desired changes and reforms in the social economic and political structure of our society, do hereby decree and order that the following be adopted and made part of the laws of the land;

SECTION 1. Title. This Decree shall be known as the Philippine Port Authority Decree of 1974.

SECTION 2. Declaration of Policies and Objectives. It is hereby declared to be the policy of the State to implement an integrated program of port development for the entire country in accordance with the following objectives: (a) to streamline and optimize the planning, development, construction, maintenance and operation of ports, port physical plants and facilities, (b) to ensure the smooth flow of water-borne commerce passing through the country's ports in the conduct of international and domestic trade, (c) to promote regional development through the dispersal of industries and commercial activity throughout the different region, (d) to foster free enterprise and sustain the growth of export and other priority industries and, (e) to redirect port administration beyond its specific and traditional duties in harbor, cargo and

revenue operations to the broader functions of total port district development, including the full and fruitful utilization of the port's hinterland and tributary areas.

In order to attain these objectives, the Government through the Philippine Port Authority herein after created shall:

(a) Draw up and implement an integrated Philippine Port Development Program which shall embody the following: the review and reorganization of the present set-up of port administration, operation, physical plants and facilities; classification of the different ports in the country according to size, importance, potential for growth and the nature and structure of surrounding areas; determination of the type and pattern of the local Port/Industrial Zone Authorities to be established in the different ports; and the definition of the broad operational guidelines to be followed by these individual Authorities;

(b) Encourage and stimulate the establishment of individual autonomous Port/Industrial Zone Authorities in the different port districts through: (i) the provision and/or assistance in the provision of financial support from public and private financing sources, (ii) technical assistance, (iii) the granting of incentives particularly during the early years of operation; and (iv) in general, the maintenance of close cooperation and smooth working relationship with the individual Port/Industrial Zone Authorities;

(c) Exercise broad supervisory and regulatory powers over the actual operations of individual Port/Industrial Zone Authorities in keeping with their autonomous character.

A. THE PHILIPPINE PORT AUTHORITY

SECTION 3. The Philippine Port Authority Creation and Organization. There is hereby created a Philippine Port Authority, hereinafter referred to as the "Authority". The corporate powers of the Authority shall be vested in a governing board of directors to be known as the Philippine Port Authority Council, hereinafter referred to as the "Council".

The Authority shall have general jurisdiction and control over all persons, corporations, firms or entities, existing, proposed or otherwise to be established within the different port districts in the Philippines and shall supervise, regulate and exercise its powers in accordance with the provision of this Decree.

The principal office of the Authority shall be in the Greater Manila area but it may establish branches and agencies within the Philippines as may be deemed necessary by the Council.

SECTION 4. Philippine Port Development Program. The Authority, in accordance with national agencies of the Government, shall prepare and annually update a Ten-Year Philippine Port Development Program, hereinafter referred to as the "Program" which shall

embody the integrated plan for the development of the country's port and harbors. The Program shall be submitted for approval by the President of the Philippines.

Upon approval of the Program by the President, all government departments, bureaus, agencies and instrumentalities shall implement the same within their respective jurisdictions. The authority shall ensure that the approved Program is being effectively implemented by the participating agencies. No government body or instrumentality shall adopt any policy or take any course of action contrary to or inconsistent with the program.

B. PHILIPPINE PORT AUTHORITY CONCIL

SECTION 5. Powers and Functions of the Council. The Philippine Port Council shall have the following powers, function and duties, among others:

- (a) To provide comprehensive policy guidance for the effective supervision and regulation of individual Port/Industrial Zone Authorities to be established in the different port districts;
- (b) To formulate a comprehensive and practicable Ten-Year Philippine Port Development Program and renew and update the same annually in coordination with other national agencies of the government;
- (c) To promulgate and prescribe a set of rules and regulation, standards, guidelines and procedures governing the establishment of individual Port/Industrial Zone Authority;
- (d) To issue specific standards to be met by individual local Port/Industrial Zone Authority in the conduct of port operation, particularly on harbor conservation maintenance and navigation and in the collection of port fees and charges; accordingly, these functions shall be exercised with the Bureau of Public Works and the Bureau of Customs and a practicable arrangement for the coordination of said functions shall be worked out with the appropriate agencies;
- (e) To recommend to the President, whenever the national interest demands it, that the State, through an agency, the Authority may designate, take over the administration of a specific port district or portion thereof;
- (f) To approve specific application of any person, firm or entity to operate, administer and establish an individual Port/Industrial Zone Authority in a particular area;
- (g) To exercise the right or eminent domain by expropriating the surrounding and tributary areas of a harbor or harbors which, in the opinion of the Authority, are vital to the total port district development;
- (h) To approve the organizational structure, staffing pattern and budget of the Authority upon the recommendation of the General Manager;

- (i) To appoint, discipline and remove, and determine the composition of the technical staff of the Authority and other personnel, Provided, That all positions in the Authority which are confidential or highly technical in nature shall not be subject to the Civil Service Law and Rules: Provided, further, That appointments of personnel in the management below the rank of section chief shall be made by the General Manager, in accordance with the approved budget and staffing pattern and shall be noted by the Council – Provided, furthermore, That the Council or General Manager may engage on contractual basis or other arrangements for the temporary services, and fix the compensation of highly qualified professionals, experts, technical advisers or consulting firms;
- (j) To adopt, alter and use a corporate seal which shall be juridically noticed; approve and make contracts, determine the exact location of its office and prescribe the rules and regulation to govern its proceedings;
- (k) To recommend to the President, through the National Economic and Development Authority, the grant of necessary incentives to individual Port/Industrial Zone Authorities;
- (l) After 3 July 1974, to exercise over-all supervision over the port facilities of the large foreign petroleum companies in matters pertaining to safety, pollution and conservation in the harbor
- (m) To exercise regulatory and supervisory powers over the marine aspect of the administration and operation of port zones such as the Bataan Export Processing Zone, the proposed Jolo Free Port, Zamboanga, Parang in South Cotabato, and others;
- (n) To plan and coordinate the establishment of Port/Industrial Zone Authorities in specific areas producing the country's main export products, such as bananas, logs, sugar, coconut products and mineral ores; and
- (o) To perform such acts as may be deemed proper an necessary to carry out and implement the provisions of this Decree.

SECTION 6. Composition and Organization. The Council shall be composed of eleven members as follows: The Secretary of Finance, the Secretary of Trade, The Secretary of Industry, the Executive Secretary, the Secretary of Public Works, Transportation and Communications, Secretary of Public Highways, the Director General of the NEDA, the Secretary of National Defense, the General Manager of the Philippine Port Authority and a representative from the private sector, to be designated by the President. The Chairman of the Council shall be appointed by the President of the Philippines from among its members.

The officials next in rank to the regular members shall serve as permanent alternate members, except that, in the absence of the Chairman, the Council shall elect a temporary presiding officer. The alternate member shall attend meetings of the Council and Committees assigned to their principal is absent or the said position is vacant.

The Council shall meet regularly once a month and at its discretion, held special meetings to consider urgent matters upon call of the Chairman or any three members thereof. A majority shall constitute a quorum for the transaction of business.

Each member of the Council shall receive a monthly computable allowance of five hundred pesos and per diem of one hundred for every meeting of the Council or Committee thereof actually attended. Provided, That the total allowable amount of per diems each month shall not exceed five hundred pesos.

C. MANAGEMENT

SECTION 7. Management Head. The management of the Authority shall be vested in the General Manager who shall be directly assisted by two Assistant General Managers, one for Planning and the other for Operations.

SECTION 8. Appointment, Tenure, Qualifications and Compensation. The General Manager and the two Assistant General Managers shall be appointed by the President for a term of six years: Provided, That upon the expiration of their respective terms, they continue to serve until their successor shall have been appointed and qualified: Provided, further, That no vacancy shall be filled except for the unexpired portion of the term: Provided, finally, That President may remove the General Manager and the Assistant General Manager from office for cause upon recommendation of the Council.

The General Manager and the Assistant General Managers shall be citizens of the Philippines, at least thirty-five years old on the date of their appointment, of good moral character, of recognized executive ability, and competence in previous public or private employment, with adequate training and experience in economics, finance, law, management, technology, public utility or preferably in the phases and aspects of port administration. Until otherwise fixed by the Council, their annual salaries and allowances shall be as follows:

General Manager

Annual Salary 50,000.00
Monthly Commutable Allowance. 2,000.00

Assistant General Manager

Annual Salary 40,000.00
Monthly Commutable Allowance. 1,500.00

The General Manager shall be directly responsible to the Council and shall have powers, functions and duties as provided in this Decree. The Assistant General Managers shall be directly responsible to the General Manager, and their respective powers, functions and duties shall be determined by the Council, upon recommendation of the General Manager.

SECTION 9. General Powers and Functions of the General Manager. Subject to the general supervision and control of the Council, the General Manager shall have the following general powers, functions and duties:

(a) To implement, enforce and apply the policies, programs, standards, guidelines, procedures, decisions and rules and regulations issued, prescribed or adopted by the Council pursuant to this Decree;

(b) To undertake researches, studies, investigations and other activities and projects, on his own initiative or upon instructions of the Council, and to submit comprehensive reports and appropriate recommendations to the Council for its information and action;

(c) To manage the day to day affairs of the Authority subject to the provisions of this Decree and applicable laws, orders, rules and regulations of other appropriate government entities;

(d) To assist approved and prospective Port/Industrial Zone Authorities in having their papers processed with dispatch by all Government offices, agencies, instrumentalities and financial and banking institutions;

(e) To prepare the agenda for the meeting of the Council, the Authority's annual budget and such other measures and recommendations which may require the approval of the Council;

(f) To establish the internal organization of the Authority under such conditions that the Council may prescribe: Provided, That any major reorganization changes shall be subject to the approval of the Council; and

(g) To perform such other duties as the Council may assign and such acts as may be necessary and proper to implement this Decree.

D. INDIVIDUAL, AUTONOMOUS PORT/INDUSTRIAL ZONE AUTHORITIES

SECTION 10. Broad Policy Considerations. The establishment of individual, autonomous Port Authorities and/or Industrial Zones in the different port districts shall be governed by the following broad policy considerations:

(a) Individual Port/Industrial Zone Authorities, once established, shall exercise full autonomy and flexibility in their operations similar to that of any other business enterprises;

(b) Due attention should be given to the improvement and optimal utilization of the ports surrounding areas eventually providing for the gradual and progressive expansion and economic development of the entire port district;

(c) The individual Port/Industrial Zone Authority may, in subsequent periods, depending on the success and viability of its operations, expand its scope and function to

include the management of utilities, housing, commercial enterprises, goods and services and other facilities within its territorial jurisdiction. The Authority shall assist individual Port/Industrial Zone Authorities;

(d) In such matters where the national interest so requires, the Government may through the Philippine Port Authority, intervene in the operations of individual Port/Industrial Zone Authorities;

(e) The ownership of corporations, firms or entities operating and administering a given port shall be controlled by citizens of the Philippines, in accordance with the citizenship provisions of existing laws on corporate ownership and partnerships;

(f) Since the establishment and operation of Port/Industrial Zone Authorities shall require a sizeable amount of capitalization, the entry of foreign investment shall be given favorable consideration; and

(g) The granting of incentives shall be opened to Persons, firms or entities who may establish a Port/Industrial Zone Authority in a given port district.

E. REORGANIZATION CHANGES

SECTION 11. Reorganization Changes. The view of the reorganization changes rendered necessary and imperative by this Decree, there is hereby created an inter-agency Committee to study the recommend measures on reorganization and turnover of responsibilities relative to the effective implementation of this Decree.

The composition of the Committee shall be as follows:

The General Manager-Designate		
Philippine Port Authority	-	Chairman
Representative of the Executive Office	-	Vice-Chairman
The Commissioner of Customs	-	Member
The Director of Public Works	-	Member
The Commandant of the Coast Guard	-	Member
Representative of the National Economic And Development Authority	-	Member
Representative of the Department of Trade	-	Member
Representative of the Department of Industry	-	Member
Representative of the Conference of Inter-Island Ship owners & Operators	-	Member

The Committee shall submit to the Council its recommended reorganization changes not later than sixty days after the promulgation of this Decree. Upon the approval by the Council, the

reorganization changes shall form an integral part of this Decree. More specifically, the recommended reorganization changes shall include but not limited to the following:

- (a) Delineation of the powers and duties of the Authority, Bureau of Customs, Bureau of Public Works, and other governmental agencies directly involved in the administration, operations, constructions, and maintenance of public ports;
- (b) List of offices and positions in the Bureau of Customs and Bureau of Public Works to be transferred to the Authority;
- (c) Procedures and time frame for the gradual turnover of above powers, duties, offices, and positions from the Bureaus affected by the reorganization to the Authority, including movable and immovable properties, accounts and records necessary, useful or incidental to the discharge of said powers and duties of the Authority or port bodies falling under its jurisdiction; and
- (d) Relationship of the Authority to other governmental agencies and private firms involved or having interest in the activities of ports.

The Committee's operational expenses shall be funded from the Port Works Special Fund.

F. MISCELLANEOUS PROVISION

SECTION 12. Appropriations. To carry out the provisions of this Decree, there is hereby appropriated the sum of two million pesos out of the funds in the National Treasury not otherwise appropriated. Thereafter, the succeeding appropriations of the Authority shall be included in the Annual Appropriations Act.

In addition to the above, the Authority is hereby authorized to retain fifty percent of its collections from fees, charges and fines to defray any deficiency in annual appropriations and to finance its other projects.

SECTION 13. Power of Issue Bonds and Incur Indebtedness. The Authority may contract loans, credits and other indebtedness of issue bonds, notes debentures, securities and other borrowing instruments, if necessary, to carry out its Programs. The Council shall promulgate a resolution stating the purpose of the loan and citing the project study supporting the proposed borrowing. To be valid, the resolution must carry the affirmative vote of at least five members of the Council and be approved by the President of the Philippines, upon the recommendation of the Secretary of Finance, after consultation with the National Economic and Development Authority and the Monetary Board of the Central Bank.

The total principal domestic indebtedness of the Authority payable in Philippine currency shall not at any one time exceed three hundred million pesos, while the total principal indebtedness of the Authority payable in foreign currency shall not at any one time exceed one hundred million United States dollars or the equivalent thereof in foreign currencies.

SECTION 14. Repealing and Reparability Clauses. All laws, decrees, orders, rules and regulations, policies, programs or parts thereof, which are inconsistent with any of the provisions of this Decree, are hereby repealed or modified accordingly.

If for any reason any section or provision of this Decree is declared to be unconstitutional or invalid, the other sections or provisions hereof, which are not affected thereby, shall continue in full force and effect:

SECTION 15. Effectivity. This Decree shall take effect upon its promulgation: Provided, That those portions hereof which may require a transition period to assure the orderly transfer of powers and functions shall take effect as stated in the implementing details: Provided, further, That such implementing details shall be prepared by the Council, in consultation with the government agency heads concerned, and submitted to the President for approval within four months after issuance of this Decree.

One in the City of Manila, this 11th of July, in the year of Our Lord, nineteen hundred and seventy-four.