

Title:

Association of Philippine Coconut Desiccators v. Philippine Coconut Authority

Facts:

The Association of Philippine Coconut Desiccators (APCD), comprised of several desiccated coconut processing companies, challenged the Philippine Coconut Authority's (PCA) Board Resolution No. 018-93, which deregulated the coconut processing industry by eliminating the requirement for licenses or permits to operate coconut processing plants. The APCD claimed that the resolution was beyond PCA's authority, arbitrary, unreasonable, and violated procedural due process.

Prior to the disputed resolution, the PCA had been granted power to regulate the coconut industry under various presidential decrees, to ensure the industry's development and protect coconut farmers' interests. This included regulating entry into the field and occasionally reducing the number of coconut plants due to market overproduction.

On November 5, 1992, APCD members filed a case against PCA for issuing permits that violated PCA's Administrative Order No. 02, which regulated operation in congested areas. A temporary restraining order and subsequently a writ of preliminary injunction were issued against PCA. Before the trial court could resolve the case, PCA issued Resolution No. 018-93, announcing its withdrawal from industry regulation, focusing on production monitoring and quality standards administration.

APCD appealed to the Office of the President regarding the resolution, but after follow-ups and no response, they filed the petition with the Supreme Court.

Issues:

1. Whether PCA's Board Resolution No. 018-93 is valid or it constitutes an undue exercise of legislative power by an administrative body.
2. Whether the resolution is ultra vires and violates substantive due process for being arbitrary and having no basis.
3. Whether the PCA violated procedural due process by not consulting stakeholders as required by law before passing the resolution.
4. If the principle of exhaustion of administrative remedies applies in this case.

Court's Decision:

1. The resolution was beyond the PCA's authority as it effectively relinquished the regulatory framework established by law.

2. The PCA's resolution was found to be arbitrary and unreasonable, contravening the intent of the laws creating PCA to regulate and develop the coconut industry.
3. PCA failed to comply with the procedural due process requirements of consultation as provided by law.
4. The principle of exhaustion of administrative remedies did not apply since the resolution took immediate effect and the appeal to the Office of the President did not suspend PCA's power to issue certificates of registration.

Doctrine:

The Supreme Court held that administrative agencies cannot abdicate their power to regulate an industry when such power is implicit in the law establishing them. The regulatory framework, created by legislative enactments, cannot be dismantled by an administrative resolution. Moreover, the doctrines of ultra vires acts and respect for due process were upheld, affirming that administrative bodies cannot exceed their statutory authority, nor bypass procedural requirements set by law.

Class Notes:

- Administrative agencies must act within the authority provided by statutes.
- The doctrine of ultra vires applies when an agency's actions exceed its statutory power.
- Procedural due process necessitates administrative agencies to follow established procedures, such as mandatory consultations.
- The exhaustion of administrative remedies generally requires challenging parties to utilize all administrative channels before seeking judicial review, although this principle does not apply when seeking to invalidate a resolution that has immediate effect.

Historical Background:

The case illustrates a transitional period in the Philippines where regulatory measures were subject to reinterpretation by administrative agencies amidst economic liberalization. The PCA's attempt to deregulate aspects of the coconut industry represents an administrative response to the broader government policy advocating free enterprise during the post-Marcos era. However, the regulatory framework for the coconut industry established in the Marcos era remained largely intact up until this challenged resolution, illustrating the dynamic tension between evolving economic policies and established legal mechanisms for industry regulation.