

Santiago P. Alalayan, et al. v. National Power Corporation

****Facts:****

1. Santiago P. Alalayan and the Philippine Power and Development Company (both franchise holders of electric plants in Laguna) filed a declaratory relief proceeding challenging the constitutionality of a provision in an amendatory act (Republic Act No. 3043).
2. The challenged provision empowered the National Power Corporation (NPC) to require franchise holders receiving at least 50% of their power from NPC to limit their net profit to 12% annually of investments plus two-month operating expenses. It also authorized NPC to renew existing contracts for electric power supply.
3. Petitioners claimed the provision was an unconstitutional rider violating the requirement that a bill cannot embrace more than one subject expressed in its title, and infringed their liberty to contract under the due process clause.
4. NPC filed an opposition to the issuance of a writ of preliminary injunction, arguing for the provision's validity.
5. The lower court denied the writ and later rendered a decision sustaining the validity and constitutionality of the provision.

****Issues:****

1. Whether the statutory provision challenged constitutes an unconstitutional rider, violating the requirement that a bill cannot embrace more than one subject expressed in its title.
2. Whether the provision infringing upon petitioners' liberty to contract constitutes a violation of the due process clause.
3. Whether the provision, as it applies to preexisting contracts, violates the constitutional prohibition against impairing the obligation of contracts.

****Court's Decision:****

1. ****Unconstitutional Rider:****

- The Court found no violation of the constitutional provision requiring that a bill cannot embrace more than one subject expressed in its title. The title need only be comprehensive enough to include the general object of the statute, without detailing every aspect.
- The provision in question was germane to the subject matter of the bill and thus did not constitute a rider.

2. ****Liberty to Contract/Due Process:****

- The Court held that the regulation imposed by the provision is a valid exercise of police

power and is not an infringement of due process. The police power allows the state to implement measures to promote the general welfare, even if it affects property rights or liberty to contract.

- The regulation of franchise holders' net profits serves public interest by ensuring reasonable rates for electricity consumers.

3. **Impairment of Contractual Obligations:**

- The Court ruled that statutory regulations applying to public utilities are valid exercises of police power and can affect existing contracts to align them with public welfare objectives.

- The provision's applicability to preexisting contracts did not constitute unconstitutional impairment as the regulation is remedial and serves the general welfare.

Doctrine:

- **One Subject Rule:** A bill's title must express the general object of the act without detailing every aspect. A provision germane to the subject is not a rider.

- **Due Process & Police Power:** Regulatory measures under police power to promote public welfare can affect property rights and liberty to contract without violating due process.

- **Impairment of Contract:** Police power regulations can apply to existing contracts without unconstitutional impairment if they serve public welfare.

Class Notes:

1. **One Subject Rule:** Const. Art. VI, Sec. 21, par. 1. A bill's title need not be a detailed index of its contents but must indicate its general object.

2. **Police Power & Due Process:** Police power can regulate contractual and property rights for public welfare. Key case: *Calalang v. Williams*.

3. **Impairment of Contract:** Non-impairment clause (Art. III, Sec. 1) allows modification of contracts under valid police power regulations.

4. **Net Profit Regulation:** Public utilities can be restricted to net profit limits to prevent exploitation and ensure consumer protection.

5. **Case Law References:** *Government v. Hongkong & Shanghai Bank*, *Sumulong v. Commission on Elections*, *Felwa v. Salas*, etc.

Historical Background:

- **Context of Regulations:** Post-Commonwealth era saw numerous regulations to improve public service standards and protect consumer interests.

- **Welfare State Constitution:** Philippine Constitution embodies concepts of welfare state

and social justice, supporting wide-ranging regulatory measures for public welfare.

- **Evolution of Judicial Approach:** Shift from strict to liberal interpretation of constitutional provisions to adapt to changing societal needs and public welfare concerns.