

Title: National Power Corporation vs. Philipp Brothers Oceanic, Inc.

****Facts:****

1. ****Invitation to Bid****: On May 14, 1987, the National Power Corporation (NAPOCOR) issued bids for the supply and delivery of 120,000 metric tons of imported coal for its Batangas Coal-Fired Thermal Power Plant in Calaca, Batangas. Philipp Brothers Oceanic, Inc. (PHIBRO) prequalified and participated as a bidder. Ultimately, PHIBRO's bid was accepted by NAPOCOR through a July 8, 1987 letter received by PHIBRO on July 15, 1987.
2. ****Contractual Terms****: Under "Bidding Terms and Specifications", the shipment was to be arranged and delivered within thirty days after receipt of a Letter of Credit. The following delivery schedule was provided:
 - 60,000 ± 10% on July 20, 1987
 - 60,000 ± 10% on September 4, 1987
3. ****Notification to NAPOCOR****: On July 10, 1987, PHIBRO indicated possible industrial disputes in Australia that could affect coal supply. On multiple occasions between July 23-31, 1987, PHIBRO informed NAPOCOR of the ongoing strikes in Australia and proposed sharing the burden of a "strike-free" clause. NAPOCOR refused this proposal.
4. ****Letter of Credit Issued****: On August 6, 1987, PHIBRO received a confirmed workable Letter of Credit from NAPOCOR, but the first shipment did not occur until November 17, 1987.
5. ****Subsequent Tender and Disqualification****: In October 1987, NAPOCOR advertised another bid for coal delivery. PHIBRO was disqualified ostensibly for not meeting minimum requirements. Upon investigation, PHIBRO learned that NAPOCOR disqualified it due to delays in coal delivery under the July contract and its refusal to settle damages claimed by NAPOCOR.
6. ****Legal Action****: PHIBRO filed a complaint for damages and an injunction against NAPOCOR, asserting that NAPOCOR acted with malice and bad faith in disqualifying it from bids.
7. ****Trial Court Decision****: The Regional Trial Court ruled in favor of PHIBRO on January 16, 1992, ordering NAPOCOR to reinstate PHIBRO in its accredited bidders' list and to pay actual, moral, and exemplary damages as well as attorney's fees.

8. **Appeal to Court of Appeals (CA)**: NAPOCOR appealed, and the CA affirmed the RTC's decision on August 27, 1996, attributing the delivery delay to NAPOCOR's own delay in providing the Letter of Credit and the uncontrollable strikes in Australia.

Issues:

1. Whether the delay in the coal shipment was due to fortuitous events and/or NAPOCOR's fault.
2. Whether NAPOCOR maliciously and unjustifiably disqualified PHIBRO from subsequent bidding.
3. Whether PHIBRO is entitled to damages for being wrongfully disqualified from future bids.
4. Whether NAPOCOR's counterclaims for damages due to delayed delivery by PHIBRO are justified.

Court's Decision:

1. **Excusal for Delay**: The Supreme Court (SC) agreed that the delay was due to fortuitous events (strikes in Australia) and NAPOCOR's delayed issuance of a Letter of Credit. Section XVII of the Bidding Terms explicitly exempted such events from being causes for delay liabilities.
2. **Justification for Disqualification**: The SC ruled that NAPOCOR did not act in bad faith when it disqualified PHIBRO. The court noted that government agencies have broad discretion under the "right to reject bids" reservation. The SC emphasized that such acts are quasi-judicial functions when done with honesty, even under erroneous beliefs.
3. **Damages and Good Faith**: The SC reversed the lower courts' award of damages, stating that PHIBRO failed to prove the losses with reasonable certainty. The SC also found that NAPOCOR did not act maliciously (Article 19 of the Civil Code), thus PHIBRO was not entitled to moral, actual, or exemplary damages.
4. **Counterclaims**: NAPOCOR's counterclaims for damages were dismissed due to the justification of the delay, underscored by force majeure.

Doctrine:

1. **Force Majeure**: The principle reinforcing that a party is not liable for delays or non-performance due to uncontrollable events (force majeure) was reiterated.

2. **Right to Reject Bids**: This case affirmed the broad discretion given to government agencies to reject bids while underscoring that such decisions must be free from bad faith or arbitrary intentions.

Class Notes:

- **Force Majeure Definitions**: Strikes are included as a disabling cause beyond control (Section XVII of Bidding Terms).
- **Article 1174, Civil Code**: Fortuitous events excuse non-performance of obligations.
- **Discretionary Rejection of Bids**: Government agencies have the discretion to reject any bid, emphasizing the non-compellability of awards (A.C. Esguerra & Sons v. Aytona).
- **Damage Awards Requirement**: Actual damages require a reasonable proof of the actual loss.

Historical Background:

This case is situated within the critical context of power plant operations depending on timely coal supplies against a backdrop of global supply chain challenges and contractual obligations. It underscores the judiciary's role in balancing contract enforcement with broader commercial and administrative realities, setting a precedent for handling government procurement disputes and fortuitous events affecting contractual performance.