Comm2 Reviewer
Part III (Ch. 14)

Concept, Agencies & Constitutional Frame · Authority to Operate & CPC · Due Process, Rates, Transfers & Offenses

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Each part begins on a new page and follows the same shape: coverage map, objectives, authority inventory, study plan, self-check, then the book + authority discussion with case cards, drills, recall tables and exam traps.

Part III-A — Concept, Agencies, Constitutional Frame

PART 1 — SYLLABUS

1. Coverage Map

§	Topic	Priority	The one rule you must state cold	Authority
1	Public Utility Concept; Public Service under PSA	Core	A public utility is only one of the six listed services in Sec. 13(d) operated for public use, while a public service is the broader Sec. 13(b) class that must be owned, operated, managed, or controlled for hire or compensation and for general business purposes	C.A. No. 146 Sec. 13(b) and 13(d) as amended by R.A. No. 11659; Bureau of Telecommunications (G.R. No. L-27412, 1969); Cruz de Syquia (G.R. Nos. L-42783-85, 1976)
2	Regulatory Agencies; Bases of Regulation	Core	The agencies that inherited the powers of the Public Service Commission regulate all public services under the police power, and government-owned services are regulated the same way as private ones	C.A. No. 146 Sec. 13(a) as amended by R.A. No. 11659 Secs. 3-4; Pangasinan Transportation (G.R. No. 47065, 1940)

§	Topic	Priority	The one rule you must state cold	Authority
3	Constitutional Provisions and Limitations	Core	No franchise, certificate, or authorization to operate a public utility goes to anyone except Filipino citizens or Philippine corporations at least sixty per centum of whose capital is Filipino-owned, and no such grant is exclusive, longer than fifty years, or free from amendment, alteration, or repeal by Congress when the common good so requires	Constitution Art. XII Sec. 11; Quasha (G.R. No. L-6055, 1953); Gamboa (G.R. No. 176579, 2011) and Resolution (G.R. No. 176579, 2012); Roy III (G.R. No. 207246, 2016); Tatad (G.R. No. 114222, 1995); Kilosbayan (G.R. No. 113375, 1994); TELEBAP (G.R. No. 132922, 1998); David (G.R. No. 171396, 2006); RCPI (G.R. No. L-68729, 1987)
4	Foreign-Owned Enterprise; Critical Infrastructure	High	A foreign state-owned enterprise may not own capital in a public utility or critical infrastructure, and a foreign national may not own more than fifty percent of the capital of a critical-infrastructure operator unless his country accords reciprocity to Philippine nationals	R.A. No. 11659 Secs. 2(e), 2(g), 23, 24, 25

2. Learning Objectives

1. Recite the six-item Sec. 13(d) public-utility list cold and explain why the list is exclusive.
2. Apply the three-element Sec. 13(b) public-service test of ownership or control, hire or compensation, and general business purpose.
3. Distinguish a public utility from a public service that is not a public utility and state the consequence for the sixty percent Filipino ownership rule.

4. Name the successor regulatory agencies of the Public Service Commission and state the police-power basis of regulation.

5. State the eleven constitutional limitations on public utilities from Art. XII Secs. 6, 11, 17, 18, 19, and 22.

6. Run the ownership tests in order: reckoning date at the franchise application, operation against ownership of facilities, voting control with full beneficial ownership, and the SEC-MC No. 8 dual application.

7. Distinguish temporary takeover in a national emergency from permanent transfer to public ownership with just compensation, and state who may authorize each.

8. Draft a complete answer on franchise validity, foreign ownership, exclusivity, modifiability, or takeover under time.

3. Authority Inventory

A. Cases

Case	G.R./Citation	One-line ratio	§
Bureau of Telecommunications v. PSC	G.R. No. L-27412, October 28, 1969	A government bureau operating telephones for a State function and not for profit is not a public service	1
Cruz de Syquia v. Board of Power and Water Works	G.R. Nos. L-42783-85, November 29, 1976	A building owner who merely passes on Meralco billings is not selling electricity and is outside board jurisdiction	1
Albano v. Reyes	G.R. No. 83551, July 11, 1989	Congress may delegate licensing power so a PPA contract with presidential approval needs no separate franchise	1, 3
Pangasinan Transportation v. PSC	G.R. No. 47065, June 26, 1940	The Public Service Act is constitutional, public interest is a sufficient standard, and a CPC is a mere privilege	2, 3
People v. Quasha	G.R. No. L-6055, June 12, 1953	The sixty percent rule attaches to the secondary franchise to operate and is tested when the franchise is applied for	3

Case	G.R./Citation	One-line ratio	§
Gamboa v. Teves (Decision)	G.R. No. 176579, June 28, 2011	Capital in Sec. 11 Art. XII means voting shares, and Filipinos must hold sixty percent of the votes with full beneficial ownership	3
Heirs of Gamboa v. Teves (Resolution)	G.R. No. 176579, October 9, 2012	The voting-control and beneficial-ownership tests stand, and SEC opinions cannot displace the construction of capital	3
Roy III v. Herbosa	G.R. No. 207246, November 22, 2016	SEC-MC No. 8 applying sixty-forty to voting shares and to all outstanding shares implements Gamboa and is valid	3
Tatad v. Garcia	G.R. No. 114222, April 6, 1995	A foreign corporation may own facilities for public use since the citizenship requirement attaches to operation	3
Kilosbayan v. Guingona	G.R. No. 113375, May 5, 1994	A lease that leaves operation, risk, and control with the contractor is a void collaboration over a franchise	3
RCPI v. NTC	G.R. No. L-68729, May 29, 1987	A franchise is never exclusive and cannot block authority granted to another operator for the same area	3
ABS-CBN v. PMSI	G.R. Nos. 175769-70, January 19, 2009	The must-carry rule burdens the franchise privilege for the common good and effects no taking	3
TELEBAP v. COMELEC	G.R. No. 132922, April 21, 1998	A broadcast franchise is a mere privilege that Congress may burden with free COMELEC time without just compensation	3
David v. Arroyo	G.R. No. 171396, May 3, 2006	The President may not take over a public utility without a congressional delegation of emergency powers	3

B. Laws and Rules

Law	What it does here	§
Constitution Art. XII Secs. 1, 6, 10, 11, 17, 18, 19, 22	Fixes national-economy goals, the social function of property, the sixty-forty ownership rule with franchise limits, takeover, transfer, anti-monopoly, and anti-circumvention	2, 3
C.A. No. 146 Sec. 13(b) as amended	Defines public service through the ownership, compensation, and general-business-purpose elements	1
C.A. No. 146 Sec. 13(d) as amended by R.A. No. 11659 Sec. 4	Lists the six exclusive public-utility services and the NEDA recommendation criteria	1
C.A. No. 146 Sec. 13(a) as amended by R.A. No. 11659 Secs. 3-4	Vests jurisdiction and supervision over all public services in the successor administrative agencies	2
R.A. No. 11659 Secs. 2(e), 2(g), 2(h), 23, 24, 25, 29	Defines critical infrastructure, foreign state-owned enterprise, and national security, and sets presidential suspension, state-ownership ban, reciprocity, and audit rules	4
R.A. No. 11659 Secs. 31, 32, 34	Carries the fifty-year, non-exclusivity, and amendability conditions into every grant and preserves vested rights	3
SEC Memorandum Circular No. 8, s. 2013	Applies the sixty-forty ratio to voting shares and to all outstanding shares of covered corporations	3
E.O. No. 546; P.D. No. 1; P.D. No. 857; R.A. No. 6957 as amended; FIA R.A. No. 7042 Sec. 3(a)	Transfers PSC powers to the NTC and other agencies, anchors port and BOT practice, and defines the Philippine national	2, 3

4. Three-Pass Study Plan

Pass	Time	What you do	Output
1	40 percent	Frame controlling provisions: recite Art. XII Sec. 11 cold, then Secs. 17, 18, 19, then Sec. 13(b) and the six-item Sec. 13(d) list	One-page provision map from memory

Pass	Time	What you do	Output
2	35 percent	Distinguish pairs: utility against service, formation against operation, voting shares against total outstanding stock, temporary takeover against permanent transfer, exclusive grant against regulated monopoly	Distinction tables reproduced cold
3	25 percent	Apply problems: 2017-XI(b) and one drafted problem per section under time	Five marked answers under time

Why this order: the examiner grades provision-first answers, so the authority filter comes before doctrine. Then confusion pairs win marks because Part III-A questions are built to punish merged characterizations of ownership, operation, and takeover.

5. Syllabus Self-Check

1. Recite the six services in Sec. 13(d) and state why the list is exclusive. (§1)
2. A builder owns no power plant and bills tenants for Meralco charges passed through pro rata. Is the builder a public service. (§1)
3. A bureau serves private subscribers at low rates but keeps no income and lives on appropriations. Is it operating for general business purposes. (§1)
4. Name five successor agencies of the Public Service Commission. (§2)
5. What constitutional provision recognizes the police power behind utility regulation. (§2)
6. Recite the franchise limits in Sec. 11 Art. XII in order. (§3)
7. A corporation is formed with wholly alien capital but will sell sixty percent to Filipinos before applying for authority. May it be formed. (§3)
8. Foreigners hold 64 percent of the voting common shares while Filipinos hold all the non-voting preferred shares. Is the utility compliant. (§3)
9. A foreign firm will only own the rail facilities while a domestic operator runs the trains. Must the owner meet the sixty percent rule. (§3)
10. A water district charter bars any other franchise without board consent. Is the exclusivity valid. (§3)
11. Congress shortens a broadcast franchise term and imposes free air time for elections. Is the amendment valid. (§3)

12. The President orders a takeover of a telephone company during an emergency without any statute delegating the power. Is the order valid. (§3)

13. A port authority cancels private arrastre permits and takes over the service itself. Is the resulting monopoly void. (§3)

14. A foreign state-owned enterprise seeks to buy capital in a declared critical-infrastructure telecom operator. May it invest. (§4)

PART 2 — BOOK + AUTHORITY REVIEWER

0. One-Page Outline

#	Topic	Must-know: provision + elements
1	Public Utility Concept; Public Service under PSA	Sec. 13(d) six-item exclusive list plus Sec. 13(b) three elements of ownership or control, hire or compensation, and general business purpose
2	Regulatory Agencies; Bases of Regulation	Sec. 13(a) jurisdiction in successor agencies under Sec. 3 of R.A. No. 11659, grounded on police power and the social function of property
3	Constitutional Provisions and Limitations	Sec. 11 franchise limits with the sixty-forty capital rule, Secs. 17 and 18 takeover and transfer, and Sec. 19 anti-monopoly
4	Foreign-Owned Enterprise; Critical Infrastructure	Secs. 23, 24, and 25 controls on foreign and state-owned investment with the fifty percent reciprocity cap

Framing questions for every problem: what relation is tested (characterization, authorization, ownership, or takeover). Which provision supplies each element. What exception, delegation, or emergency fact defeats it. What remedy and what tribunal controls the outcome.

Mnemonic for the four sections: Utilities Serve Agencies Guard Constitutions, Foreigners Face Checks (U-S-A-G-C-F-F-C). Numbers: 6-3-11 (six utilities, three service elements, and eleven constitutional limitations).

1. Public Utility Concept; Public Service under PSA

> "Public Utility. — Public Utility refers to a public service that operates, manages or controls for public use any of the following: (1) Distribution of Electricity; (2)

> Transmission of Electricity; (3) Petroleum and Petroleum Products Pipeline Transmission Systems; (4) Water Pipeline Distribution Systems and Wastewater Pipeline Systems, including sewerage pipeline systems; (5) Seaports; and (6) Public Utility Vehicles."
>
> "All concessionaires, joint ventures and other similar entities that wholly operate, manage or control for public use the sectors above are public utilities."
>
> "Nothing in this Act shall be interpreted as a requirement for legislative franchise where the law does not require any. No other person shall be deemed a public utility unless otherwise subsequently provided by law."
>
> "(b) The term 'public service' includes every person that now or hereafter may own, operate, manage, or control in the Philippines, for hire or compensation, with general or limited clientele, whether permanent, occasional or accidental, and done for general business purposes, any common carrier, railroad, street railway, traction railway, sub-way motor vehicle, either for freight or passenger, or both with or without fixed route and whether may be its classification, freight or carrier service of any class, express service, steamboat or steamship line, pontines, ferries, and water craft, engaged in the transportation of passengers or freight or both, shipyard, marine railways, marine repair shop, [warehouse] wharf or dock, ice plant, ice-refrigeration plant, canal, irrigation system, gas, electric light, heat and power water supply and power, petroleum, sewerage system, wire or wireless communications system, wire or wireless broadcasting stations and other similar public services."

Element or Requisite	**Content**
Public utility closed list	Only the six Sec. 13(d) services operated, managed, or controlled for public use, and the President may only recommend that Congress add a service on NEDA advice under the four network, natural-monopoly, necessity, and demand criteria
Public service element one	The person must own, operate, manage, or control a covered service in the Philippines, and a mere owner-lessor that never operates is outside the class
Public service element two	The activity must be for hire or compensation, and free or incidental service without charge fails this element
Public service element three	The activity must be done for general business purposes, meaning for profit or as a means of livelihood, so a State function funded by appropriations is not business

Element or Requisite	Content
Consequence of the split	A service that leaves the six-item list stays a regulated public service and a business affected with public interest under Secs. 17 and 18, yet no nationality requirement may be imposed on it

A public utility is always a public service, while a public service is a public utility only when it falls inside the six-item list. Operation for the public marks both classes, while sixty percent Filipino ownership marks only the utility. Formation of a corporation marks nothing, while application for authority marks the reckoning point. Ownership of facilities marks a property relation, while operation of the service marks the enfranchised relation.

Case: *Bureau of Telecommunications v. PSC*, G.R. No. L-27412, October 28, 1969

Facts: The Bureau operated a telephone system alongside PLDT under Executive Order No. 94, charged rates below PLDT levels, served twenty to thirty percent private subscribers, kept no corporate existence, could not use its income, and depended on annual congressional appropriations.

Issue: The issue was whether a government bureau discharging a State communication function was a public service operated for general business purposes.

Held: The Court held that the Bureau was neither, because business means activity for profit or livelihood and the Bureau served the government and the people as a State responsibility with private service only incidental.

Doctrine: A government entity that operates without gain, keeps no income, and lives on appropriations is not engaged in business under the Public Service Act and lies outside Commission jurisdiction.

Case: *Cruz de Syquia v. Board of Power and Water Works*, G.R. Nos. L-42783-85, November 29, 1976

Facts: The petitioner administered an apartment building, advanced the compound-wide Meralco bill, collected reimbursement pro rata from tenants, owned no power plant, and faced board orders capping her collections below cost.

Issue: The issue was whether a building owner who passes on utility billings sells electricity as a public service.

Held: The Court held that she did not, because Meralco supplied electricity directly to the tenants as end users and the dispute over common-area sharing was a purely civil lease controversy for the regular courts.

Doctrine: One who owns, operates, manages, or controls no plant and merely advances and recovers billings is not a public service and is beyond regulatory jurisdiction.

Case: *Albano v. Reyes*, G.R. No. 83551, July 11, 1989

Facts: The Philippine Ports Authority contracted the development, management, and operation of the Manila International Container Terminal to ICTSI, the President approved the award, and a legislator claimed that only a congressional franchise could authorize the operation.

Issue: The issue was whether every public-utility operation needs a franchise specially granted by Congress.

Held: The Court held that none was needed, because Congress may delegate licensing power and the port charter let the Authority operate by itself or by contract with presidential approval.

Doctrine: A statute may vest an executive agency with authority to license a public utility, and the valid exercise of that delegated power needs no separate congressional franchise.

Q: A company owns no power plant and merely advances the building-wide Meralco bill while collecting each tenant's metered share. The tenants complain to the regulator that the company sells electricity without a franchise. Is the company a public service subject to regulation.

A: No, because the three-element Sec. 13(b) test fails on ownership or control of a covered service. The law requires ownership, operation, management, or control of an enterprise supplying electric light, heat, and power for hire or compensation as a business, and a mere administrator who advances and recovers billings owns and controls no plant while the utility supplies the tenants directly. The ruling in Cruz de Syquia (G.R. Nos. L-42783-85, 1976) annulled the same kind of board orders and left the pro-rata dispute to the regular courts as a civil lease question.

2. Regulatory Agencies; Bases of Regulation

> "The Commission shall have jurisdiction and supervision over all public services, including public utilities, and their franchises, equipment, and other properties, and in the exercise of its authority, it shall have the necessary powers and the aid of public force: Provided, That public services, including public utilities, owned or operated by government entities shall be regulated by the Commission in the same way as privately-owned public services."

> "All references to the Public Service Commission in Commonwealth Act No. 146, as amended, shall pertain to any Administrative Agency to which the powers and duties of the Public Service Commission were transferred by subsequent laws, such as but not limited to: (a) Civil Aeronautics Board (CAB); (b) Civil Aviation Authority of the Philippines (CAAP); (c) Department of Energy (DOE); (d) Department of Environment and Natural Resources (DENR); (e) DICT; (f) Department of Transportation (DOTr); (g) Energy Regulatory Commission (ERC); (h) Land Transportation Franchising and Regulatory Board (LTFRB); (i) Land Transportation Office (LTO); (j) Local Water Utilities Administration (LWUA); (k) Maritime Industry Authority (MARINA); (l) Metropolitan Waterworks and Sewerage System (MWSS); (m) National Telecommunication Commission (NTC); (n) National Water Resources Board (NWRB); (o) Philippine National Railways (PNR); (p) Philippine Ports Authority (PPA); and (q) Toll Regulatory Board (TRB)."
>
> "SEC. 6. The use of property bears a social function, and all economic agents shall contribute to the common good. Individuals and private groups, including corporations, cooperatives, and similar collective organizations, shall have the right to own, establish, and operate economic enterprises, subject to the duty of the State to promote distributive justice and to intervene when the common good so demands."

Element or Requisite	Content
Who regulates	The successor administrative agencies exercise the jurisdiction, supervision, and powers once held by the Public Service Commission, each within its chartered sector
Whom they regulate	All public services including public utilities, and government-owned or operated services are regulated the same way as privately owned ones
Why regulation is valid	Regulation rests on the police power because private property devoted to a public use and affected with public interest ceases to be juris privati only, and Sec. 6 Art. XII confirms the social function of property
Limit of the power	Police power cannot create an exclusive franchise or violate the Constitution, and delegated rate and certificate powers apply to utilities already operating when the statute passes

Police-power regulation is plenary yet constitutional, while ownership of the utility stays private until a lawful taking. Delegated licensing by an agency is valid, while an exclusive grant by anyone is void. Government operation is regulated, while government ownership alone exempts no one from rate control.

Case: *Pangasinan Transportation v. PSC,* G.R. No. 47065, June 26, 1940

Facts: The operator held long-standing certificates for Pangasinan, Tarlac, Nueva Ecija, and Zambales routes, applied for ten additional trucks, and received new twenty-five-year limits with a Commonwealth acquisition condition on all its certificates.

Issue: The issue was whether the amendatory law unduly delegated legislative power and whether the new conditions could reach existing certificates without hearing.

Held: The Court held that the delegation was valid because public interest is a sufficient standard capped at fifty years, that a certificate is a mere privilege reachable by police power, and that the twenty-five-year limit still needed prior notice and hearing so the case was remanded.

Doctrine: The Public Service Act is a valid police-power measure, public interest standards sustain subordinate legislation, a certificate confers no property right, and new conditions on existing certificates require notice and hearing.

Q: A bus operator with existing certificates applies for additional units and the regulator adds a twenty-five-year expiry to all its certificates without any hearing. The operator assails the whole statute as undue delegation. How should the challenge fail and the order fall.

A: The statute stands while the order falls for want of hearing. The regulation of utilities is a valid exercise of police power, the legislature may delegate certificate periods under the sufficient standard of public interest within the fifty-year constitutional cap, and a certificate is a mere privilege so police-power conditions reach existing holders. The ruling in Pangasinan Transportation (G.R. No. 47065, 1940) still annulled the limit because Sec. 16(m) allows amendment only upon proper notice and hearing and the operator never had the chance to present its case.

3. Constitutional Provisions and Limitations

> "No franchise, certificate, or any other form of authorization for the operation of a public utility shall be granted except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines, at least sixty per centum of whose capital is owned by such citizens; nor shall such franchise, certificate, or authorization be exclusive in character or for a longer period than fifty years. Neither shall any such franchise or right be granted except under the condition that it shall be subject to amendment, alteration, or repeal by the Congress when the common good so requires. The State shall encourage equity participation in public utilities by the general

> public. The participation of foreign investors in the governing body of any public utility enterprise shall be limited to their proportionate share in its capital, and all the executive and managing officers of such corporation or association must be citizens of the Philippines."
>
> "In times of national emergency, when the public interest so requires, the State may, during the emergency and under reasonable terms prescribed by it, temporarily take over or direct the operation of any privately-owned public utility or business affected with public interest."
>
> "The State may, in the interest of national welfare or defense, establish and operate vital industries and, upon payment of just compensation, transfer to public ownership utilities and other private enterprises to be operated by the Government."
>
> "The State shall regulate or prohibit monopolies when the public interest so requires. No combinations in restraint of trade or unfair competition shall be allowed."

Element or Requisite	Content
Ownership filter	Only Filipino citizens or domestic corporations or associations at least sixty per centum of whose capital is Filipino-owned may receive operating authority, foreign board participation is capped at the proportionate capital share, and all executive and managing officers must be Filipino citizens
Reckoning point	Compliance is tested when the entity applies for a franchise, certificate, or authorization, so a corporation may be formed with alien capital and cure by transfer before that moment
Operation against facilities	The filter attaches to operation of the utility and never to mere ownership of facilities, so a foreign owner-lessor whose domestic partner operates needs no sixty percent Filipino capital
Capital measure	Capital means shares entitled to vote in the election of directors with full beneficial ownership, applied to voting shares and to all outstanding shares under SEC-MC No. 8, so control follows votes and not the weight of non-voting preferred stock
Term cap	No grant exceeds fifty years at any given time, the period is inseparable from the certificate, and renewal weighs exemplary record with substantial infrastructure investment
Exclusivity ban	No franchise, certificate, or authorization is exclusive in character, whether created directly or indirectly by the President, Congress, or the Court

Element or Requisite	Content
Modifiability condition	Every grant carries the implied condition of amendment, alteration, or repeal by Congress when the common good so requires, and a franchise remains a mere privilege burdenable with public-service duties
Takeover rule	Temporary takeover or directed operation needs a national emergency, public-interest necessity, reasonable terms, and a congressional delegation to the President, while permanent transfer needs national welfare or defense plus just compensation
Monopoly rule	The State regulates or prohibits monopolies as public interest requires, a regulated monopoly in an affected industry is allowed, and private advantage without a public grant is not state action

A primary franchise gives corporate life, while a secondary franchise gives operating authority and only the latter draws the sixty percent rule. Voting common shares elect directors and count, while non-voting preferred shares fund and do not count. Temporary takeover ends with the emergency and needs delegated power, while permanent transfer endures and needs just compensation. A regulated monopoly serves the public under a grant, while an unregulated combination restrains trade and is banned.

Case: *People v. Quasha*, G.R. No. L-6055, June 12, 1953

Facts: The accused organized Pacific Airways Corporation, named a Filipino subscriber for 60.005 percent of the subscribed capital while the funds belonged to unlisted Americans, and faced falsification charges for hiding the trust to evade the sixty percent rule.

Issue: The issue was whether the Constitution barred mere formation of a utility corporation with alien capital and punished nondisclosure of the dummy arrangement.

Held: The Court held that no crime was committed, because the ownership clause qualifies the secondary franchise to operate and never the primary franchise of corporate existence, the Corporation Law required no disclosure, and the later Party Amendment in any event lifted the bar as to Americans.

Doctrine: The sixty percent requirement is tested at the application for operating authority and never at incorporation, and a corporation formed with alien capital may comply later by transferring shares to Filipinos.

Case: *Tatad v. Garcia*, G.R. No. 114222, April 6, 1995

Facts: A Hongkong corporation financed and built EDSA LRT III, leased the completed system to the DOTC for twenty-five years with ownership passing for one dollar, supplied technical maintenance and training, and left operation as a common carrier with fare collection to the Department.

Issue: The issue was whether a foreign corporation that owns the facilities of a rail system must meet the sixty percent Filipino capitalization requirement.

Held: The Court held that it need not, because nationality is determined at the franchise application and the private respondent never applied to operate since the DOTC alone ran the trains and dealt with the riding public.

Doctrine: The Constitution limits foreign equity in operation of a public utility and never in mere ownership of facilities, and a mere owner-lessor that neither operates nor serves the public is not itself a public utility.

Case: *Gamboa v. Teves*, G.R. No. 176579, June 28, 2011

Facts: The petitioner questioned PLDT ownership after the sale of the government's PTIC block raised foreign holdings, and the 2010 general information sheet showed foreigners holding 64.27 percent of the voting common shares while non-voting preferred shares dominated authorized capital.

Issue: The issue was whether capital in Sec. 11 Art. XII means total outstanding stock including non-voting preferred shares or only shares entitled to vote in the election of directors.

Held: The Court held that capital means voting shares only, because control runs through electing directors, the Corporation Code strips voting rights only from preferred or redeemable shares, the Foreign Investments Act defines a Philippine national by sixty percent voting capital with full beneficial ownership, and the broad reading would let a minuscule foreign vote control the utility.

Doctrine: Capital in Sec. 11 Art. XII refers only to shares entitled to vote in the election of directors, the sixty percent rule demands full beneficial ownership with voting rights, and Sec. 11 is self-executing through the SEC.

Case: *Heirs of Gamboa v. Teves*, G.R. No. 176579, October 9, 2012

Facts: The movants assailed the voting-share construction as a midstream redefinition, invoked SEC and DOJ opinions equating capital with total outstanding stock, warned of massive divestment, and sought reconsideration of the directive to the SEC.

Issue: The issue was whether the construction displaced a settled definition and whether executive opinions bound the Court.

Held: The Court held that no settled definition existed in seventy-five years, that voting control with beneficial ownership reserves effective control to Filipinos, that individual SEC opinions are never conclusive on constitutional meaning, and that sanctions apply only prospectively after finality.

Doctrine: Both the voting-control test and the beneficial-ownership test determine Philippine nationality, the sixty-forty ratio reaches each class of shares on the resolution reasoning, and only the SEC en banc makes rules while the Court alone construes capital.

Case: *Roy III v. Herbosa*, G.R. No. 207246, November 22, 2016

Facts: The petitioner assailed SEC Memorandum Circular No. 8 requiring sixty percent Filipino ownership of both voting shares and total outstanding stock, intervenors warned of forced divestment worth billions, and the SEC had issued no definitive ruling on PLDT compliance.

Issue: The issue was whether the circular contradicted the Gamboa fallo and whether the Court should void it before any enforcement ruling.

Held: The Court held that the petition failed on justiciability and on the merits, because the circular faithfully applied voting control plus full beneficial ownership to voting shares and to all outstanding shares while the per-class passage in the resolution body was obiter that could never amend the immutable fallo.

Doctrine: Capital means voting shares with the sixty-forty Filipino requirement also measured across all outstanding stock, the dispositive portion controls over body reasoning, and transcendental importance alone does not relax locus standi or hierarchy.

Case: *Kilosbayan v. Guingona*, G.R. No. 113375, May 5, 1994

Facts: The PCSO charter barred lotteries in collaboration or joint venture with any person, yet the so-called Contract of Lease left PGMC to build at its own expense, keep and replace facilities for eight years, bear shortage risk, train personnel, share receipts-based rentals, and shape policy.

Issue: The issue was whether a lease label could save an arrangement that assigned the franchise itself to a foreign-linked contractor.

Held: The Court held that the contract was void, because intention is gathered from contemporaneous and subsequent acts, a franchise is strictly construed against the grantee with nothing passing by implication, and the PCSO had leased out its very franchise to an operator.

Doctrine: A contract that leaves technical work, operations, management, expenses, risks, and profit participation with the contractor is a collaboration or joint venture in substance whatever its title, and a franchisee cannot share, assign, or transfer its franchise.

Case: *RCPI v. NTC*, G.R. No. L-68729, May 29, 1987

Facts: RCPI operated radio stations under a 1957 legislative franchise, a rival received NTC authority for the same areas, and the Commission ordered RCPI to cease operations conducted without a certificate of public convenience and necessity.

Issue: The issue was whether a prior franchisee could block a newcomer and operate on its franchise alone without a certificate.

Held: The Court held that the franchise required prior allotment and licensing, that executive reorganization had removed the old radio exemption and imposed the certificate requirement, and that a franchise can never be exclusive so prior operations yield to a new grant made for the public interest.

Doctrine: A legislative franchise is a mere privilege subject to police-power regulation, it cannot be exclusive in character, and an existing operator has no insuperable right against later authority issued over the same area.

Case: *ABS-CBN v. PMSI*, G.R. Nos. 175769-70, January 19, 2009

Facts: ABS-CBN held a legislative franchise and broadcast free-to-air signals, PMSI carried those signals unaltered to DTH subscribers, and the NTC must-carry rule required cable and DTH operators within signal contours to carry authorized broadcast stations.

Issue: The issue was whether unaltered simultaneous carriage infringed broadcast and copyright rights and whether the must-carry burden on the franchise was valid.

Held: The Court held that no infringement occurred, because simultaneous unaltered carriage is cable retransmission and not rebroadcasting, the carrier selects nothing and authors nothing, and the government-directed use falls within the statutory limitation for public-interest carriage.

Doctrine: A franchise carries amendment for the common good, simultaneous unaltered carriage of free-to-air signals is retransmission and not rebroadcasting, and the must-carry rule validly burdens the privilege without effecting a taking.

Case: *TELEBAP v. COMELEC*, G.R. No. 132922, April 21, 1998

Facts: The election law required procurement of COMELEC time and amended all broadcast franchises to carry free equal and impartial air time, the implementing resolution first commanded thirty minutes of daily prime time, and a network claimed tens of millions in lost

revenue.

Issue: The issue was whether free air time took private property without due process or just compensation and denied broadcasters equal protection against print media.

Held: The Court held that Sec. 92 was valid, because a franchise is a mere privilege over airwaves the broadcaster never owns, unrealized advertising revenue is no protected property, spectrum scarcity justifies heavier broadcast burdens, and only the implementing resolution failed since an agency cannot amend a statute.

Doctrine: A broadcast franchise is a temporary privilege burdenable with public-service duties such as free election air time, spectrum scarcity sustains classifications that print media escapes, and the amendability condition reaches every franchise when the common good so requires.

Case: *David v. Arroyo*, G.R. No. 171396, May 3, 2006

Facts: The President declared a state of national emergency, commanded the armed forces to suppress lawless violence, invoked Sec. 17 Art. XII takeover language without any statute delegating emergency powers, and enforcers raided a newspaper office and dispersed rallies.

Issue: The issue was whether the emergency declaration alone authorized the President to take over or direct privately owned utilities and businesses affected with public interest.

Held: The Court held that the declaration called out the armed forces validly yet authorized no takeover, because Sec. 17 Art. XII is an aspect of emergency powers reposed in Congress under Sec. 23(2) Art. VI, delegable only by law for a limited period to carry out declared national policy.

Doctrine: Only Congress holds emergency powers and the President exercises them solely upon legislative delegation, so a takeover without an emergency-powers act is void even during a validly declared emergency.

2017 Bar Q: TRUE or FALSE. Explain briefly your answer. (b) The term capital in relation to public utilities under Sec. 11, Art. XII of the 1987 Constitution refers to the total outstanding capital stock comprising both common and non-voting preferred shares. (2%)

A: FALSE, because capital in Sec. 11 Art. XII means only shares entitled to vote in the election of directors and never the total outstanding stock with non-voting preferred shares. The law ties control to electing directors and demands full beneficial ownership with voting rights, so the sixty-forty test applies to voting shares under the 2011 decision in Gamboa (G.R. No. 176579, 2011) as implemented by SEC-MC No. 8 sustained in Roy III (G.R. No. 207246, 2016). A corporation whose foreigners hold the voting common shares fails the test even when Filipinos hold all the non-voting preferred shares.

Q: A water district charter provides that no other franchise for water service inside the district may issue without board consent. A cooperative seeks a franchise and the board refuses. Is the consent requirement valid.

A: No, because the Constitution bans every exclusive franchise whether created directly or indirectly. The law states that no franchise, certificate, or authorization for a public utility shall be exclusive in character, and police power includes no power to violate that ban. The book rule voids Sec. 47 of P.D. No. 198 as amended for creating exclusivity through a consent veto, following the RCPI mandate (G.R. No. L-68729, 1987) that one operator never blocks another.

4. Foreign-Owned Enterprise; Critical Infrastructure

> "Critical Infrastructure refers to any public service which owns, uses, or operates systems and assets, whether physical or virtual, so vital to the Republic of the Philippines that the incapacity or destruction of such systems or assets would have a detrimental impact on national security, including telecommunications and other such vital services as may be declared by the President of the Philippines."
>
> "Foreign State-owned Enterprise refers to an entity in which a foreign State: (i) directly or indirectly owns more than fifty-percent (50%) of the capital taking into account both the voting rights and beneficial ownership; (ii) controls, through ownership interests, the exercise of more than fifty percent (50%) of the voting rights; or (iii) holds the power to appoint a majority of members of the board of directors or any other equivalent management body."
>
> "In the interest of national security, the President, after review, evaluation and recommendation of the relevant government department or Administrative Agency, may, within sixty (60) days from the receipt of such recommendation, suspend or prohibit any proposed merger or acquisition transaction, or any investment in a public service that effectively results in the grant of control, whether direct or indirect, to a foreigner or a foreign corporation."
>
> "An entity controlled by or acting on behalf of the foreign government or foreign state-owned enterprises shall be prohibited from owning capital in any public service classified as public utility or critical infrastructure."
>
> "Foreign nationals shall not be allowed to own more than fifty percent (50%) of the capital of entities engaged in the operation and management of critical infrastructure unless the country of such foreign national accords reciprocity to Philippine Nationals as

> may be provided by foreign law, treaty or international agreement. Reciprocity may be satisfied by according rights of similar value in other economic sectors."

Element or Requisite	Content
What counts as critical	Any public service owning, using, or operating systems or assets so vital that incapacity or destruction would harm national security, including telecommunications and other vital services the President declares
State-owned ban	An entity controlled by or acting for a foreign government or a foreign state-owned enterprise may not own capital in a public utility or critical infrastructure for post-effectivity investments, except that sovereign wealth and independent pension funds may collectively own up to thirty percent
Reciprocity cap	A foreign national may not own more than fifty percent of a critical-infrastructure operator unless his country accords reciprocity to Philippine nationals by law, treaty, or agreement, satisfiable by rights of similar value in other sectors
Presidential suspension	The President may suspend or prohibit a merger, acquisition, or investment granting direct or indirect control to a foreigner within sixty days from receipt of the department or agency recommendation
Employment and audit	Foreign hiring needs non-availability of a competent Filipino with permits and understudy programs, and critical-infrastructure operators face annual performance audit with risk, emergency-response, and cybersecurity metrics plus ten-day complaint action and monthly reports

Full foreign ownership is allowed for a public service outside the utility list, while sixty percent Filipino capital still gates every public utility. Private foreign capital negotiates the reciprocity cap, while foreign state capital faces the ownership ban. Presidential suspension guards control transfers, while NEDA advises on subcontracting without risking operational resiliency.

Q: A foreign state-owned enterprise proposes to acquire forty percent of a declared critical-infrastructure telecommunications operator after the effectivity of R.A. No. 11659. Its lawyers invoke the thirty percent sovereign wealth exception. May the acquisition proceed.

A: No, because the ban reaches every entity controlled by or acting for a foreign government with only the narrow fund exception available. The law prohibits a foreign state-owned enterprise from owning capital in a public utility or critical infrastructure for post-effectivity investments, and the thirty percent allowance belongs solely to sovereign wealth funds and

independent pension funds collectively. A forty percent acquisition by the state enterprise itself exceeds the only exception and remains prohibited.

Quick-Recall Tables

Provision	Numbers that control
Sec. 13(d) utility list	6 services only: electricity distribution, electricity transmission, petroleum pipeline transmission, water and wastewater pipelines with sewerage, seaports, PUVs
Sec. 13(b) service test	3 elements: ownership or control, hire or compensation, general business purpose
Sec. 11 franchise limits	60 percent Filipino capital, 50-year maximum, proportionate foreign board share, all executive and managing officers Filipino
Ownership measure	Voting shares with full beneficial ownership under Gamboa and SEC-MC No. 8 dual test
Takeover triggers	Emergency with delegation for temporary control, national welfare or defense with just compensation for permanent transfer

Period or Threshold	Figure
Franchise maximum	50 years at any given time
Presidential suspension window	60 days from receipt of the recommendation
Sovereign wealth and pension fund allowance	Up to 30 percent collectively
Foreign reciprocity cap in critical infrastructure	50 percent without reciprocity
Complaint action for critical-infrastructure interruption	10 days or an action plan within a reasonable period

Exclusivity question	Answer
May Congress grant an exclusive utility franchise	No, under Sec. 11 in every Constitution since 1935
May a charter require board consent before a rival franchise issues	No, the consent veto creates indirect exclusivity
May a prior franchisee block a newcomer in the same area	No, prior operations yield to a later grant made for the public interest
May a regulated monopoly exist in ports or telecom	Yes, when the grant serves the public and the operator is not a market rival

Takeover question	Answer
Who declares the emergency	The President alone

Takeover question	Answer
Who authorizes the takeover	Congress by an emergency-powers law under Sec. 23(2) Art. VI
What ends temporary control	Cessation of the emergency under reasonable prescribed terms
What pays for permanent transfer	Just compensation under Sec. 18 Art. XII

Foreign capital question	Rule
Public service outside the utility list	No nationality requirement may be imposed
Public utility operation	At least 60 percent Filipino capital with voting control
Critical infrastructure operation	50 percent foreign cap without reciprocity
Foreign state-owned enterprise	Barred from owning utility or critical-infrastructure capital

Exam Traps

1. A broad pre-2022 definition of public utility no longer controls since Sec. 13(d) closes the list to six services.
2. A foreigner may own facilities yet never operate, and only operation draws the sixty percent rule.
3. Incorporation with alien capital is lawful, and the test falls only at the franchise application.
4. Non-voting preferred shares never elect directors, so a Filipino-heavy total stock with foreign-held votes still fails.
5. The Gamboa resolution body discusses per-class application, yet the immutable fallo as implemented measures voting shares and all outstanding shares.
6. A lease label never decides, and a contractor that operates, risks, and controls holds a void joint venture over the franchise.
7. A legislative franchise is a privilege and never property, so new burdens for the common good effect no taking.
8. Airwaves belong to the State, so free COMELEC time takes nothing compensable from the broadcaster.
9. An agency may implement a statute yet never amend it, so a paid-time rule that rewrites free time is void.
10. A certificate is a mere privilege, so police-power conditions reach existing holders with notice and hearing.

11. Public interest sustains delegation, yet the fifty-year cap never yields to agency discretion.

12. Exclusivity fails whether created by statute, charter consent veto, or prior-operation claim.

13. A regulated monopoly under a public grant is allowed, while a private combination restraining trade is banned.

14. Emergency declaration is presidential, yet takeover power is congressional and needs a delegating law.

15. Temporary takeover needs reasonable terms during the emergency, while permanent transfer needs just compensation always.

16. Telecommunications sits inside critical infrastructure by statute, with more vital services declarable by the President.

17. A foreign state-owned enterprise faces a capital ban, while sovereign wealth and pension funds share a thirty percent allowance.

18. The fifty percent reciprocity cap measures the foreign national owner, and similar-value rights in other sectors satisfy it.

Key Authorities Cited

Codes and Constitution: 1987 Constitution Art. XII Secs. 1, 6, 10, 11, 17, 18, 19, 22 with Art. VI Sec. 23(2) on delegation; C.A. No. 146 Secs. 13(a), 13(b), 13(d), 13(e), 15, 16, 18, 20, 21, 23, 24, 25, 26, 28, 29, 30, 32, 35, 38, 40 as amended by R.A. No. 11659 Secs. 2-25, 29, 31, 32, 34.

Special laws and rules: R.A. No. 6957 BOT Law as amended; R.A. No. 7042 Foreign Investments Act Sec. 3(a); R.A. No. 7925 Public Telecommunications Policy Act; R.A. No. 9136 EPIRA; R.A. No. 1169 PCSO Charter as amended by B.P. Blg. 42; B.P. Blg. 881 Sec. 92; P.D. No. 1; P.D. No. 857; E.O. No. 546; SEC Memorandum Circular No. 8, s. 2013 with the 2023 PSA implementing rules.

Cases: Bureau of Telecommunications (G.R. No. L-27412, 1969); Cruz de Syquia (G.R. Nos. L-42783-85, 1976); Quasha (G.R. No. L-6055, 1953); Pangasinan Transportation (G.R. No. 47065, 1940); RCPI (G.R. No. L-68729, 1987); Albano (G.R. No. 83551, 1989); Kilosbayan (G.R. No. 113375, 1994); Tatad (G.R. No. 114222, 1995); TELEBAP (G.R. No. 132922, 1998); David (G.R. No. 171396, 2006); Gamboa Decision and Resolution (G.R. No. 176579, 2011; 2012); ABS-CBN (G.R. Nos. 175769-70, 2009); Roy III (G.R. No. 207246, 2016).

Source and Verification Note

This reviewer reads Aquino 2024 Chapter 14 pages 918 to 949 against the Part III-A syllabus slice, with Batch 3 digests 49 to 60, 62, and 63 and the 2017 commercial-law questionnaire. Authority language was checked against primary text: Art. XII provisions against the LawPhil 1987 Constitution page, C.A. No. 146 Sec. 13 against the LawPhil Commonwealth Act page for the pre-amendment definition, and R.A. No. 11659 against the LawPhil Republic Act page for the declaration of policy, the Sec. 2 definitions, the amended Secs. 13, 15 to 21, 23 to 26, 28 to 30, 32, 35, 38, and 40, and Secs. 23 to 25, 29, 31, 32, and 34. The Sec. 13(d) quotation follows the amendatory text without the internal quotation marks and section symbols that clutter the online reprint. Gamboa, Roy III, Tatad, Kilosbayan, TELEBAP, David, Quasha, Pangasinan Transportation, Bureau of Telecommunications, Cruz de Syquia, RCPI, Albano, and ABS-CBN doctrine comes from the batch digests with full-text LawPhil addresses recorded in each digest source line. The water-district exclusivity ruling, the port monopoly rulings, the interconnection ruling, and the 2000 facilities-ownership problem answer are stated as the textbook reports them at pages 940 to 941, 945 to 946, and 937 to 938. The 2017 Bar Question XI(b) stem is transcribed verbatim from the compiled questionnaire file and dated from its paper header. The amendatory law is R.A. No. 11659, approved March 21, 2022, and the ownership construction follows the final Gamboa Resolution of October 9, 2012 with SEC-MC No. 8 sustained in Roy III on November 22, 2016.

Part III-B — Authority to Operate; CPC

PART 1 — SYLLABUS

1. Coverage Map

§	Topic	Priority	The one rule you must state cold	Authority
1	Acts Requiring Approval; Legislative Franchise vs CPC; When Franchise Necessary; CPC; LGU Delegation	Core	No public service operates without a valid and subsisting certificate from the Commission, and a legislative franchise is required only where the governing law demands one since Congress may delegate licensing power to an agency	C.A. No. 146 Sec. 15 as amended; PAL v. CAB (G.R. No. 119528, 1997); ACWS v. NTC (G.R. No. 144109, 2003)
2	Issuance Rules: requirements, public interest primacy, prior operator, free competition, nature of CPC, terms, provisional authority, when CPC not required	Core	The Commission grants certificates only where public interest is promoted in a proper and suitable manner, the prior operator rule yields to that interest, no grant is ever exclusive, and a CPC is a mere privilege yet answerable as property on execution	C.A. No. 146 Sec. 16(a) as amended; Phil Rabbit v. Gabatin (G.R. No. L-24472, 1968); PLDT v. NTC (G.R. No. 88404, 1990); Raymundo v. Luneta Motor (G.R. Nos. 39902 and 39903, 1933)
3	Transfer of CPC and Other Transactions; Revocation or Cancellation	High	No sale, alienation, mortgage, lease, merger, or control-shifting stock transfer is lawful without prior Commission approval, and the Commission may amend, suspend, or revoke a certificate for violation after notice and hearing	C.A. No. 146 Secs. 16(m), 16(n), 20(g), 20(h), 20(i) as amended; Rizal Light v. Morong (G.R. Nos. L-20993 and L-21221, 1968)

2. Learning Objectives

1. Recite the Sec. 15 prohibition cold and state who must hold a certificate before operating.
2. Distinguish a legislative franchise from a certificate of public convenience and state when each is required.
3. Explain how Congress delegates licensing power to agencies and to local government units and name the limits of each delegation.
4. Run the issuance checklist in order: citizenship, financial and technical capability, and promotion of the public interest in a proper and suitable manner.
5. State the prior operator rule with its limit and apply the public-interest primacy that defeats it.
6. Distinguish provisional authority from a final certificate and state the conditions and duration of each.
7. Run the transfer checklist: which transactions need prior approval, the forty percent stock-transfer ceiling, and the sixty percent alien-transfer floor.
8. Draft a complete answer on franchise necessity, issuance, transfer validity, or revocation under time.

3. Authority Inventory

A. Cases

Case	G.R./Citation	One-line ratio	§
PAL v. CAB	G.R. No. 119528, March 26, 1997	A legislative franchise is not indispensable for domestic air carriage since R.A. No. 776 validly delegates licensing to the CAB	1
RCPI v. NTC	G.R. No. L-68729, May 29, 1987	A legislative franchise alone never authorizes operation where the law also requires a certificate, and a prior franchise never blocks a newcomer	1, 2
Albano v. Reyes	G.R. No. 83551, July 11, 1989	Congress may delegate licensing so a PPA contract with presidential approval needs no separate congressional franchise	1

Case	G.R./Citation	One-line ratio	§
ACWS v. NTC	G.R. No. 144109, February 17, 2003	Broadcast operation demands both a congressional franchise under Act No. 3846 and an NTC certificate, and the two are distinct	1
Phil Rabbit v. Gabatin	G.R. No. L-24472, July 31, 1968	The prior operator rule yields to public interest and Commission findings of need and capability stand on substantial evidence	2
Rizal Light v. Morong	G.R. Nos. L-20993 and L-21221, September 28, 1968	A certificate is a mere privilege revocable for violation, the protection rule shields only operators of good standing, and a municipal franchise takes effect only upon Commission approval	2, 3
Eastern Telecom v. Intl Communication	G.R. No. 135992, July 23, 2004	The service area scheme yielded to healthy competition so a second carrier may receive provisional authority over an area already served	2
Republic v. Republic Telephone	G.R. No. 64888, November 28, 1996	No franchise is exclusive and the negotiation proviso for government entry is directory, so a prior operator holds no monopoly	2
PLDT v. NTC	G.R. No. 88404, October 18, 1990	Provisional authority is temporary and non-exclusive, stock sales need only Commission approval under Sec. 20(h), and interconnection may be compelled	2, 3
Raymundo v. Luneta Motor	G.R. Nos. 39902 and 39903, November 29, 1933	Certificates of public convenience are property liable to execution and transfer to the execution creditor with Commission approval	2, 3

Case	G.R./Citation	One-line ratio	§
Pangasinan Transportation v. PSC	G.R. No. 47065, June 26, 1940	A certificate is a mere privilege reachable by police power, and new conditions on existing certificates require notice and hearing	2

B. Laws and Rules

Law	What it does here	§
C.A. No. 146 Sec. 15 as amended	Bars operation without a valid and subsisting certificate promoting the public interest in a proper and suitable manner	1
C.A. No. 146 Sec. 16(a) and 16(b) as amended	Empowers issuance of certificates with citizenship and fifty-year limits and approval of political-subdivision franchises	1, 2
C.A. No. 146 Secs. 16(m) and 16(n) as amended	Authorizes amendment, suspension, and revocation of certificates for misrepresentation, change of conditions, or violation	3
C.A. No. 146 Sec. 17(a) as amended	Allows investigation on own initiative or complaint and compels adequate service and prior certification	2
C.A. No. 146 Secs. 20(g), 20(h), 20(i) as amended by C.A. No. 454	Requires prior approval for sales, leases, mergers, and control-shifting stock transfers and voids unapproved transfers	3
C.A. No. 146 Sec. 32 as amended by R.A. No. 723	Permits delegation of hearing and reception of evidence to lawyer division chiefs	3
C.A. No. 146 Sec. 35	Confines judicial reversal to decisions without evidentiary support, contrary to law, or beyond jurisdiction	2
Constitution Art. XII Sec. 11	Bans exclusive utility grants and caps every grant at fifty years	2
R.A. No. 11659, approved March 21, 2022	Amends the Public Service Act and carries the franchise and certificate limits into every grant	1, 2, 3

Law	What it does here	§
R.A. No. 776 Secs. 4, 10, 12, 21	Delegates domestic air-transport licensing to the CAB with policy, citizenship, fitness, and procedure standards	1
Act No. 3846 Sec. 1; P.D. No. 576-A	Requires a congressional franchise for radio and television stations with no implied repeal	1
E.O. No. 546; P.D. No. 1; P.D. No. 857	Transfers PSC powers to the NTC and other agencies and lets the PPA license port operation by contract	1
R.A. No. 7925 Secs. 4(f), 10, 23; R.A. No. 6849	Imposes healthy competition, local-exchange obligations, equality of treatment, and mandatory interconnection	2

4. Three-Pass Study Plan

Pass	Time	What you do	Output
1	40 percent	Frame controlling provisions: recite Sec. 15, Sec. 16(a) and 16(b), Sec. 20(g) to 20(i), and Sec. 16(m) and 16(n) cold	One-page provision map from memory
2	35 percent	Distinguish pairs: franchise against certificate, provisional against final authority, prior operator protection against free competition, share sale against franchise assignment, revocation against fine	Distinction tables reproduced cold
3	25 percent	Apply problems: one drafted problem per section under time	Three marked answers under time

Why this order: the examiner grades provision-first answers, so the authority filter comes before doctrine. Then confusion pairs win marks because Part III-B questions are built to punish merged characterizations of franchises, certificates, and transfers.

5. Syllabus Self-Check

1. Recite the Sec. 15 prohibition and state the finding the Commission must make before issuing any certificate. (§1)

2. A radio company holds a legislative franchise and operates new telephone services without any certificate. May the NTC stop the new services. (§1)

3. A domestic airline holds no congressional franchise and seeks a CPCN from the CAB. Must the Board dismiss for want of jurisdiction. (§1)

4. A port authority contracts out terminal operation with presidential approval and no statute grants the contractor a franchise. Must Congress still grant one. (§1)

5. A broadcast operator holds an NTC permit but never secured a congressional franchise. May it stay on the air. (§1)

6. A municipality grants an electric franchise to an unincorporated group that incorporates a month later. Is the grant void. (§1)

7. An applicant shows Filipino citizenship and rolling stock while the incumbent claims ruinous competition. What must the Commission still find before granting. (§2)

8. An incumbent invokes the prior operator rule against a newcomer on a route with unserved passengers. Does the rule bar the grant. (§2)

9. A telecom incumbent claims exclusive rights over Manila and Navotas under its provisional authority. May the NTC authorize a second carrier there. (§2)

10. A provisional authority holder operates beyond eighteen months while the main case pends. Has the authority ripened into a final certificate. (§2)

11. A public service sells forty-five percent of its subscribed capital to one buyer without asking the Commission. Is the sale valid. (§3)

12. A utility sells ten percent of its stock to an alien and Filipino holdings fall to fifty-five percent. What follows for the sale and the certificate. (§3)

13. A certificate holder ignores voltage directives since 1954 and cures nothing after hearings. Must the Commission impose only a fine. (§3)

14. A creditor attaches the certificates of a bus operator and buys them at auction. May the Commission approve transfer to the creditor over a later private buyer. (§3)

PART 2 — BOOK + AUTHORITY REVIEWER

0. One-Page Outline

#	Topic	Must-know: provision + elements
1	Acts Requiring Approval; Legislative Franchise vs CPC; When Franchise Necessary; CPC; LGU Delegation	Sec. 15 bars uncertified operation, Sec. 16(a) issues certificates to qualified citizens and corporations, and Sec. 16(b) approves political-subdivision franchises that conserve the public interest
2	Issuance Rules: requirements, public interest primacy, prior operator, free competition, nature of CPC, terms, provisional authority, when CPC not required	Sec. 16(a) grants only where operation promotes the public interest in a proper and suitable manner, no grant is exclusive under Art. XII Sec. 11, and a CPC is a revocable privilege yet property on execution
3	Transfer of CPC and Other Transactions; Revocation or Cancellation	Sec. 20(g) to 20(i) voids unapproved sales, leases, mergers, and control-shifting stock transfers, and Sec. 16(m) and 16(n) revoke or suspend for misrepresentation, change, or violation

Framing questions for every problem: what authority is tested (franchise, certificate, provisional grant, or transfer approval). Which provision supplies each element. What exception, delegation, or competition fact defeats it. What remedy and what tribunal controls the outcome.

Mnemonic for the three sections: Approve First, Issue Fairly, Transfer Formally (A-F-T). Numbers: 15-16-20 (prohibition, issuance, transfer), 40-60 (stock ceilings and floors), 50 (maximum years).

1. Acts Requiring Approval; Legislative Franchise vs CPC; When Franchise Necessary; CPC; LGU Delegation

> "With the exception of those enumerated in the preceding section, no public service shall operate in the Philippines without possessing a valid and subsisting certificate from the Public Service Commission known as 'certificate of public convenience,' or 'certificate of public convenience and necessity,' as the case may be, to the effect that the operation of said service and the authorization to do business will promote the public interests in a proper and suitable manner."
>
> "The Commission shall have power, upon proper notice and hearing in accordance with the rules and provisions of this Act, subject to the limitations and exceptions mentioned and saving provisions to the contrary: (a) To issue certificates which shall be known as certificates of public convenience, authorizing the operation of public service within the

> Philippines whenever the Commission finds that the operation of the public service proposed and the authorization to do business will promote the public interest in a proper and suitable manner. Provided, That thereafter, certificates of public convenience and certificates of public convenience and necessity will be granted only to citizens of the Philippines or of the United States or to corporations, co-partnerships, associations or joint-stock companies constituted and organized under the laws of the Philippines; Provided, That sixty per centum of the stock or paid-up capital of any such corporations, co-partnership, association or joint-stock company must belong entirely to citizens of the Philippines or of the United States: Provided, further, That no such certificates shall be issued for a period of more than fifty years."
>
> "To approve, subject to constitutional limitations any franchise or privilege granted under the provisions of Act No. Six Hundred and Sixty-seven, as amended by Act No. One Thousand and twenty-two, by any political subdivision of the Philippines when, in the judgment of the Commission, such franchise or privilege will properly conserve the public interests, and the Commission shall in so approving impose such conditions as to construction, equipment, maintenance, service, or operation as the public interests and convenience may reasonably require, and to issue certificates of public convenience and necessity when such is required or provided by any law or franchise."

Element or Requisite	Content
The Sec. 15 prohibition	Every public service outside the Sec. 14 exemptions needs a valid and subsisting certificate, and the touchstone finding is promotion of the public interest in a proper and suitable manner
Legislative franchise defined	A franchise is the sovereign grant of the privilege to operate, and it emanates from Congress unless Congress delegates the licensing function to an agency
CPC defined	A certificate is the regulatory authorization issued by the Commission or its successor agency upon notice and hearing, and convenience and necessity are construed together as one standard
When a franchise is necessary	A franchise is necessary only where the governing law exacts one, so air carriage needs none beyond R.A. No. 776 while broadcast needs one under Act No. 3846
Delegation to agencies	Congress may delegate licensing to a specialized agency by a law circumscribed with policy, citizenship, fitness, and procedure standards, and the agency grant needs no parallel congressional franchise

Element or Requisite	Content
Delegation to local units	A municipal or port franchise takes effect through agency approval with conditions, and an agency contract with presidential approval is itself the authorization

A legislative franchise comes from the sovereign through Congress, while a certificate comes from the regulator through delegated police power. A franchise answers whether the State opened the activity, while a certificate answers whether this operator may perform it. Absence of a franchise goes to the merits of issuance, while absence of jurisdiction goes to the power to hear at all.

Case: *PAL v. CAB,* G.R. No. 119528, March 26, 1997

Facts: GrandAir applied to the CAB for a certificate to operate domestic air services, PAL opposed for want of a prior congressional franchise and assailed the three-month temporary operating permit the Board issued before reception of evidence.

Issue: The issue was whether the CAB could hear the application and issue a certificate or temporary permit without a legislative franchise first obtained from Congress.

Held: The Court held that it could, because R.A. No. 776 expressly empowers the Board to issue certificates and temporary permits, the delegation is circumscribed by policy, citizenship, fitness, and procedure standards, and the want of a franchise affects only ultimate issuance and never the jurisdiction to hear.

Doctrine: Congress may validly delegate the power to authorize operation of certain utilities to administrative agencies, a legislative franchise is not indispensable where the statute supplies the licensing scheme, and the Board may grant a temporary permit even before presentation of evidence.

Case: *RCPI v. NTC,* G.R. No. L-68729, May 29, 1987

Facts: RCPI operated radio telephone services in three areas under its 1957 legislative franchise, a rival received NTC authority for the same areas, and the NTC ordered RCPI to cease operations conducted without any certificate.

Issue: The issue was whether a legislative franchise alone authorizes operation without a certificate and whether a prior franchisee blocks later authority over the same area.

Held: The Court held that it does not, because reorganization laws removed the old radio exemption and imposed the certificate requirement, the franchise itself demanded prior allotment and licensing, and no franchise is ever exclusive so prior operations yield to a later grant made

for the public interest.

Doctrine: A franchise is a mere privilege subject to police-power regulation, it cannot be exclusive in character, and an existing operator has no insuperable right against later authority issued over the same area.

Case: *Albano v. Reyes*, G.R. No. 83551, July 11, 1989

Facts: The PPA bid out the development, management, and operation of the Manila container terminal, awarded the contract to ICTSI with presidential approval, and a legislator claimed that only a congressional franchise could authorize the private operation of the port.

Issue: The issue was whether every public-utility operation needs a franchise specially granted by Congress despite a statute vesting licensing power in an executive agency.

Held: The Court held that none was needed, because E.O. No. 30 tasked the PPA with the terminal and P.D. No. 857 lets it operate by itself or by contract, so the contract with presidential approval substantially complied with the law as the necessary authorization.

Doctrine: Congress may delegate licensing power to executive agencies, a statute may vest an agency with authority to license a class of utilities, and the valid exercise of that delegated power needs no separate congressional franchise.

Case: *ACWS v. NTC*, G.R. No. 144109, February 17, 2003

Facts: ACWS operated television Channel 25 under NTC permits after its franchise lapsed, filed a late franchise bill it never pursued, missed the memorandum deadline to secure a franchise, and faced recall of its frequency with denial of its renewal application.

Issue: The issue was whether a congressional franchise remains a condition sine qua non for broadcast operation despite later laws vesting certificate and licensing powers in the NTC.

Held: The Court held that it does, because Act No. 3846 exacts a franchise for radio and television, neither P.D. No. 576-A nor E.O. No. 546 expressly or impliedly repealed the exaction, and the franchise and the certificate are distinct forms of authority that coexist.

Doctrine: A congressional franchise is indispensable where the governing law exacts one, a certificate never dispenses with a required franchise, an erroneous permit never estops the government, and recall needs due process through notice, hearing, and substantial evidence.

Q: A domestic airline with no congressional franchise applies to the CAB for a certificate while the statute lays down policy, citizenship, fitness, and procedure standards. An incumbent insists the Board must dismiss for want of jurisdiction. Must the Board dismiss.

A: No, because R.A. No. 776 validly delegates domestic air-transport licensing to the Board and a franchise is not indispensable there. The law empowers the Board to issue certificates and temporary permits upon the stated standards, and the ruling in PAL v. CAB (G.R. No. 119528, 1997) holds that absence of a franchise goes to the merits of issuance and never to the jurisdiction to hear. The Board therefore hears the application and decides the certificate on fitness and public convenience.

Q: A television operator holds a subsisting NTC permit but never obtained the congressional franchise that the radio law exacts. The NTC recalls its frequency after due hearing. Is the recall valid.

A: Yes. The governing broadcast law makes the congressional franchise a condition sine qua non, and later laws vesting certificate powers in the NTC never repealed that exaction. The franchise and the certificate are distinct authorities that must concur, as the ruling in ACWS v. NTC (G.R. No. 144109, 2003) holds, so the operator cannot stay on the air on a permit alone.

2. Issuance Rules: Requirements, Public Interest Primacy, Prior Operator, Free Competition, Nature of CPC, Terms, Provisional Authority, When CPC Not Required

> "To investigate, upon its own initiative, or upon complaint in writing, any matter concerning any public service as regards matters under its jurisdiction; to require any public service to furnish safe, adequate, and proper service as the public interest may require and warrant; to enforce compliance with any standard, rule, regulation, order or other requirement of this Act or of the Commission, and to prohibit or prevent any public service as herein defined from operating without having first secured a certificate of public convenience or public necessity and convenience, as the case may be."
>
> "No franchise, certificate, or any other form of authorization for the operation of a public utility shall be granted except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines, at least sixty per centum of whose capital is owned by such citizens; nor shall such franchise, certificate, or authorization be exclusive in character or for a longer period than fifty years."

Element or Requisite	Content
Basic issuance rule	The Commission issues only upon proper notice and hearing, and only where it finds that the proposed operation and the authorization to do business will promote the public interest in a proper and suitable manner
Who may receive	Only Filipino citizens or domestic corporations, partnerships, associations, or joint-stock companies with the constitutional capital mix, and no certificate runs longer than fifty years
Capability proof	The applicant must show legal standing with its franchise where one is required, financial capacity to build and maintain the service, technical fitness of plant and personnel, and feasibility of the network plan
Public interest primacy	Public service and public interest are the primordial considerations, and they defeat every claim of incumbency, exclusivity, or protection of investment
Prior operator rule	An existing operator deserves protection against ruinous or needless duplication, yet nobody holds an exclusive right to a franchise or certificate so the rule never applies automatically against a needed grant
Free competition policy	Telecommunications and other opened sectors run on healthy competition, the service area scheme yielded to that policy, and no utility holds a constitutional right to a monopoly
Nature of the CPC	A certificate is a mere license or privilege and never property against the State, yet it carries material value and is property liable to execution by creditors
Terms and conditions	The Commission may impose construction, equipment, maintenance, service, and operation conditions, fix a definite period within fifty years, and reserve government acquisition at cost less depreciation
Provisional authority	The agency may grant temporary relief on a prima facie showing of capability and urgent public need, limited in scope and time, non-exclusive, and revocable at any time before final decision
When no CPC is required	Government entities need none for the fact of being government yet remain subject to rate regulation, Sec. 14 exempts the listed vehicles and services, and no certificate issues where the service needs none under law

Protection rewards good standing, while competition serves the riding and calling public. A provisional grant answers urgency on a first look, while a final certificate answers merit after full hearing. A definite term bounds every grant, while exclusivity voids any grant that claims it.

Case: *Phil Rabbit v. Gabatin*, G.R. No. L-24472, July 31, 1968

Facts: Gabatin sought a certificate for twelve auto-trucks on the direct Caoayan to Grace Park line, incumbents opposed and claimed adequate service with full buses, and the Commission found no direct service since the incumbents ran mostly from Laoag and passed Vigan already full.

Issue: The issue was whether the Commission could grant a newcomer over the opposition of incumbents invoking the prior operator rule and attacking the evidence and the finances of the applicant.

Held: The Court held that it could, because findings on need and capability supported by substantial evidence are conclusive, a mere assertion of no evidence proves nothing, and the prior operator rule never applies automatically where public interest calls for the grant.

Doctrine: Commission findings of fact stand on substantial evidence, courts never weigh credibility de novo, and the prior operator rule yields to public service and public interest as the primordial considerations.

Case: *Eastern Telecom v. Intl Communication*, G.R. No. 135992, July 23, 2004

Facts: TTPI held a provisional authority over Manila and Navotas, the NTC granted ICC a second provisional authority over the same areas after finding ICC financially and technically capable with a feasible plan, and the incumbents claimed exclusivity under the old service area scheme.

Issue: The issue was whether the NTC gravely abused its discretion by authorizing a second carrier inside areas already assigned under a prior provisional authority.

Held: The Court held that it did not, because the later competition laws omitted the one-carrier scheme and adopted healthy competition, no grant is ever exclusive, and capability and demand findings supported by evidence deserve respect, with modification only to require the escrow deposit and performance bond for the new project.

Doctrine: The service area scheme is at most one factor and never ties the NTC, a prior provisional holder owns no exclusive territory, and each provisional project carries its own escrow and bond duties.

Case: *Republic v. Republic Telephone*, G.R. No. 64888, November 28, 1996

Facts: RETELCO operated the Malolos exchange under municipal and legislative franchises, the Bureau installed its own exchange there without first concluding a negotiated arrangement with the incumbent, and the trial courts permanently enjoined the Bureau at the suit of the franchisee.

Issue: The issue was whether the incumbent held an exclusive right and whether the missed prior negotiation voided the government operation.

Held: The Court held that it held none, because no franchise is ever exclusive, the negotiation proviso is phrased in permissive and directory terms, and the State may operate its own system for the general public, so the injunction had no legal basis and was dissolved.

Doctrine: Directory negotiation language never voids government entry, Bureau officials cannot bargain away services the law authorizes, and an ultra-protectionist reading that breeds monopoly and retards development is rejected.

Case: *PLDT v. NTC,* G.R. No. 88404, October 18, 1990

Facts: ETCI sought a certificate with provisional authority for a cellular system in Metro Manila, PLDT opposed on franchise coverage, prior operation, and harmful duplication, and the NTC granted an eighteen-month provisional authority limited to Phase A with an interconnection condition while continuing the main case.

Issue: The issue was whether the NTC gravely abused its discretion in granting provisional relief under a liberally read 1958 franchise and in compelling interconnection with the incumbent network.

Held: The Court held that it did not, because provisional relief needs only a prima facie showing of capability and public need, agency construction of technical franchises deserves respect, share sales need only Commission approval under Sec. 20(h) while franchise assignment needs Congress, forfeiture needs a direct quo warranto suit, and interconnection serves rapid expansion under police power and R.A. No. 6849.

Doctrine: A provisional authority is temporary, limited, non-exclusive, and revocable and never a final certificate, stock transfers are governed by Sec. 20(h) and never by the franchise anti-transfer clause, franchise forfeiture is never self-executing or collateral, and the State may compel interconnection since no utility owns a right to monopoly.

Case: *Pangasinan Transportation v. PSC,* G.R. No. 47065, June 26, 1940

Facts: The operator held long-standing route certificates, applied for ten additional trucks, and received new twenty-five-year limits with a Commonwealth acquisition condition on all its certificates without prior hearing.

Issue: The issue was whether the statute unduly delegated legislative power and whether the new conditions could reach existing certificates without hearing.

Held: The Court held that the delegation was valid because public interest is a sufficient standard capped at fifty years, that a certificate is a mere privilege reachable by police power, and that the new limit still needed prior notice and hearing so the case was remanded.

Doctrine: The Public Service Act is a valid police-power measure, public interest standards sustain subordinate legislation, a certificate confers no property right against the State, and new conditions on existing certificates require notice and hearing.

Q: An applicant proves Filipino citizenship and financial capacity for a direct route that no incumbent serves, since the incumbents run full buses from farther north and skip the town. The incumbents invoke the prior operator rule. Must the grant fail.

A: No, because public interest is the primordial consideration and the rule never applies automatically. The law protects incumbents only against needless or ruinous duplication, and the ruling in Phil Rabbit v. Gabatin (G.R. No. L-24472, 1968) sustains a grant where substantial evidence shows unserved need with a capable applicant. The Commission grants the newcomer and the opposition falls with the exclusivity claim.

Q: A carrier holds a provisional authority over two cities and claims exclusive rights there against a second applicant the regulator finds capable with a feasible plan. The first carrier cites the old one-carrier-per-area scheme. May the regulator authorize the second carrier.

A: Yes. Later competition laws replaced the one-carrier scheme with healthy competition, and no franchise, certificate, or authorization is ever exclusive in character. The ruling in Eastern Telecom v. Intl Communication (G.R. No. 135992, 2004) upholds the second provisional authority on capability and demand findings while imposing the separate escrow and bond for the new project. The incumbent keeps no monopoly and improves service instead.

Q: An incumbent telephone carrier refuses interconnection with a provisionally authorized cellular operator and claims a vested right to be spared competition. The regulator orders interconnection within ninety days. Is the order valid.

A: Yes, because interconnection expands public access and no utility holds a constitutional right to a monopoly. The law empowers the regulator to set interconnection terms, reinforced by the municipal telephone mandate, and the ruling in PLDT v. NTC (G.R. No. 88404, 1990) sustains the order where the newcomer showed prima facie capability with urgent public need. The incumbent interconnects while the main case continues.

3. Transfer of CPC and Other Transactions; Revocation or Cancellation

"To sell, alienate, mortgage, encumber or lease its property, franchises, certificates, privileges, or rights or any part thereof; or merge or consolidate its property, franchises privileges or rights, or any part thereof, with those of any other public service. The approval herein required shall be given, after notice to the public and hearing the persons interested at a public hearing, if it be shown that there are just and reasonable grounds for making the mortgaged or encumbrance, for liabilities of more than one year maturity, or the sale, alienation, lease, merger, or consolidation to be approved, and that the same are not detrimental to the public interest, and in case of a sale, the date on which the same is to be consummated shall be fixed in the order of approval: Provided, however, that nothing herein contained shall be construed to prevent the transaction from being negotiated or completed before its approval or to prevent the sale, alienation, or lease by any public service of any of its property in the ordinary course of its business."

"To sell or register in its books the transfer or sale of shares of its capital stock, if the result of that sale in itself or in connection with another previous sale, shall be to vest in the transferee more than forty per centum of the subscribed capital of said public service. Any transfer made in violation of this provision shall be void and of no effect and shall not be registered in the books of the public service corporation. Nothing herein contained shall be construed to prevent the holding of shares lawfully acquired."

"To sell, alienate or in any manner transfer shares of its capital stock to any alien if the result of that sale, alienation, or transfer in itself or in connection with another previous sale shall be the reduction to less than sixty per centum of the capital stock belonging to Philippine citizens. Such sale, alienation or transfer shall be void and of no effect and shall be sufficient cause for ordering the cancellation of the certificate."

"To amend, modify or revoke at any time certificate issued under the provisions of this Act, whenever the facts and circumstances on the strength of which said certificate was issued have been misrepresented or materially changed."

"To suspend or revoke any certificate issued under the provisions of this Act whenever the holder thereof has violated or willfully and contumaciously refused to comply with any order rule or regulation of the Commission or any provision of this Act: Provided, That the Commission, for good cause, may prior to the hearing suspend for a period not to exceed thirty days any certificate or the exercise of any right or authority issued or granted under this Act by order of the Commission, whenever such step shall in the judgment of the Commission be necessary to avoid serious and irreparable damage or inconvenience to the public or to private interests."

Element or Requisite	Content
Transactions needing prior approval	Sale, alienation, mortgage, encumbrance, or lease of property, franchises, certificates, privileges, or rights in whole or part, and merger or consolidation with another public service
Approval standard	Public notice with hearing of interested persons, just and reasonable grounds, no detriment to the public interest, and a fixed consummation date for sales, while negotiation before approval and ordinary-course dispositions need no prior leave
Forty percent stock ceiling	No sale or book registration that vests more than forty per centum of subscribed capital in one transferee, counting connected previous sales, and every violative transfer is void and unregistrable
Sixty percent alien floor	No sale, alienation, or transfer to an alien that drops Philippine citizens below sixty per centum of capital stock, and every violative transfer is void and sufficient cause to cancel the certificate
Franchise assignment against share sale	Assignment of the franchise itself needs the grantors approval while sale of shares needs only Commission approval, because the corporation owns the franchise and survives changes in stockholders
Revocation grounds	Misrepresentation or material change of the facts behind issuance, or violation or willful and contumacious refusal to obey an order, rule, regulation, or provision of law
Suspension pending hearing	Thirty-day pre-hearing suspension for good cause where needed to avoid serious and irreparable damage or inconvenience to the public or private interests
Delegation of hearing	The Commission may empower lawyer division chiefs to hear cases and receive evidence, and objection to a non-lawyer hearer is procedural and waived unless timely raised
Form of review	The Court sets aside a Commission decision only where no evidence reasonably supports it, where it is contrary to law, or where jurisdiction was wanting

Negotiation before approval is allowed, while consummation without approval is void. A share sale shifts investors and needs agency leave, while a franchise assignment shifts the grant and needs the grantors leave. A fine punishes and coexists with other remedies, while revocation ends the privilege for contumacious breach.

Case: *Rizal Light v. Morong*, G.R. Nos. L-20993 and L-21221, September 28, 1968

Facts: Rizal Light held a 1949 certificate for electric service in Morong, ignored voltage and metering directives from 1954, missed hearings and filings, and lost its certificate with forfeiture

of its franchise, while Morong Electric took a municipal franchise before incorporation, incorporated a month later, and won its own certificate on findings of need and financial capacity.

Issue: The issue was whether long neglect of certificate conditions and directives justified revocation instead of a fine and whether the later municipal franchise and certificate survived the want of corporate existence at the grant.

Held: The Court held that both orders stood, because inspection reports substantially supported the findings, contumacious refusal since 1954 warranted revocation over a mere fine, protection of investment shields only operators of good standing, the later incorporation with acceptance perfected the municipal contract, and a municipal electric franchise becomes efficacious only upon Commission approval.

Doctrine: A certificate is a mere privilege forfeited for breach, fines are cumulative and never bar revocation, the protection rule never rewards neglect, a pre-incorporation municipal grant perfects upon organization and acceptance, and hearing defects are waived unless timely objected to before the Commission.

Case: *Raymundo v. Luneta Motor,* G.R. Nos. 39902 and 39903, November 29, 1933

Facts: Guzco Transit defaulted on truck notes secured by chattel mortgage, the creditor attached and garnished its three bus-line certificates through the Commission secretary and bought two of them at auction, and nine days after attachment the debtor privately sold all three certificates with some trucks to Raymundo.

Issue: The issue was whether certificates of public convenience are property liable to execution and which transfer prevails between the earlier auction sale and the later private sale.

Held: The Court held that the certificates are property liable to execution, because the holder may sell voluntarily with approval so the law allows involuntary taking by legal process, and the earlier attachment and auction prevailed over the later private sale made under levy.

Doctrine: Certificates carry material value and pass the beneficial-interest test for attachment, no statute exempts them from execution, the Commission may approve transfer to the execution creditor, and a private sale after levy never defeats the execution sale.

Q: A bus company sells sixty percent of its subscribed capital to a single buyer in two connected deeds without Commission approval and books the transfer. The buyer demands recognition as stockholder. Must the company register the buyer.

A: No, because every transfer vesting more than forty per centum of subscribed capital in one transferee without prior approval is void and unregistrable. The law counts connected previous

sales together, as the ruling in PLDT v. NTC (G.R. No. 88404, 1990) applies Sec. 20(h), so the buyer holds nothing registrable and the company faces sanction if it books the sale.

Q: A certificate holder disobeys service directives for eight years, cures nothing after inspection reports and hearings, and pleads protection of its investments against revocation. Must the Commission settle for a fine.

A: No, because willful and contumacious refusal to obey orders and certificate conditions warrants cancellation and revocation. The fine remedy is cumulative and never bars revocation, and the ruling in Rizal Light v. Morong (G.R. Nos. L-20993 and L-21221, 1968) denies protection to an operator that is not of good standing. The Commission revokes the certificate and forfeits the franchise on substantial evidence.

Quick-Recall Tables

Provision	Numbers that control
Sec. 15 prohibition	No operation without a valid and subsisting certificate promoting the public interest in a proper and suitable manner
Sec. 16(a) issuance	Notice and hearing, Filipino citizenship with the capital mix, fifty-year maximum
Sec. 16(b) local franchise	Commission approval with construction, equipment, maintenance, service, and operation conditions
Sec. 16(m) and 16(n)	Amendment, suspension, or revocation for misrepresentation, change, or willful violation with thirty-day pre-hearing suspension
Sec. 20(g) to 20(i)	Prior approval for sales, leases, mergers, and control-shifting stock moves with voidness for breach

Period or Threshold	Figure
Certificate maximum	50 years at any given time
Pre-hearing suspension	30 days for good cause
Single-transferee stock ceiling	More than 40 per centum of subscribed capital needs prior approval
Alien-transfer citizenship floor	Philippine citizens must keep at least 60 per centum of capital stock
Provisional grant in the cellular case	18 months, Phase A only, non-exclusive, revocable
Escrow and bond per provisional project	20 percent escrow deposit and 10 percent performance bond capped at P500 Million

Franchise question	Answer
Must every utility hold a congressional franchise	No, only where the governing law exacts one
May an agency license without a parallel franchise	Yes, under a valid delegation with legislative standards
May a contract with presidential approval replace a franchise	Yes, where the charter lets the agency operate by contract
May a certificate replace a required franchise	No, the two are distinct and must concur

Competition question	Answer
May a prior operator block a needed newcomer	No, public interest defeats the prior operator rule
May a franchise or certificate be exclusive	No, exclusivity voids the grant in every Constitution since 1935
May the State compete with an incumbent	Yes, directory negotiation language never creates a monopoly
May interconnection be compelled	Yes, under police power and the telephone mandate

Transfer question	Rule
Sale, lease, merger, or mortgage of the utility	Prior Commission approval after notice and hearing
Share sale vesting over forty percent in one buyer	Prior approval, and the unapproved transfer is void
Share sale dropping Filipinos below sixty percent	Void and sufficient cause to cancel the certificate
Certificates on execution	Liable to attachment with transfer to the creditor upon approval

Exam Traps

1. A franchise answers the sovereign grant, while a certificate answers the regulatory permission and the two never collapse into one.
2. A required franchise plus a missing certificate still bars operation, and a certificate never cures a missing franchise.
3. Absence of a franchise goes to issuance on the merits, while only absence of statutory power goes to jurisdiction.
4. Delegation needs legislative standards of policy, citizenship, fitness, and procedure, and a roving commission fails.
5. A municipal franchise is inchoate until the grantee incorporates and accepts, and it becomes efficacious only upon Commission approval.
6. Citizenship and capability open the inquiry, yet only the public-interest finding closes it.
7. Full buses elsewhere prove nothing, and unserved direct demand with a capable applicant sustains the grant.

8. The prior operator rule protects against ruinous duplication, yet it never operates automatically against proven need.

9. A provisional permit answers urgency on first look, while only the final certificate answers merit after full hearing.

10. Provisional relief is temporary, limited, non-exclusive, and revocable, and it never ripens by mere lapse of time.

11. A one-carrier scheme yields to a later healthy-competition law, and the old rule never ties the regulator.

12. No provisional holder owns exclusive territory, and a second capable carrier may enter the same area.

13. Share sales need agency approval under Sec. 20(h), while franchise assignment needs the grantors approval.

14. Connected sales count together toward the forty percent ceiling, and structuring in tranches never evades it.

15. An alien transfer that drops Filipinos below sixty percent is void and independently cancels the certificate.

16. Forfeiture of a franchise is never self-executing and needs a direct quo warranto suit by the State.

17. A fine is cumulative and never bars revocation, and contumacious breach draws cancellation.

18. Certificates are privileges against the State yet property against creditors, so revocation and execution coexist.

Key Authorities Cited

Codes and Constitution: 1987 Constitution Art. XII Sec. 11 with Art. VI Sec. 23(2) on delegation; C.A. No. 146 Secs. 13(a), 14, 15, 16(a), 16(b), 16(m), 16(n), 17(a), 20(g), 20(h), 20(i), 32, 35 as amended by C.A. No. 454 and R.A. No. 11659, approved March 21, 2022.

Special laws and rules: R.A. No. 776 Secs. 4, 10, 12, 21; Act No. 3846 Sec. 1; P.D. No. 576-A Secs. 1, 6; E.O. No. 546 Sec. 15; P.D. No. 1; P.D. No. 857 Sec. 6; E.O. No. 94 Sec. 79(b); R.A. No. 7925 Secs. 4(f), 6, 10, 23; R.A. No. 6849; R.A. No. 2036 Secs. 1, 4(a), 15; R.A. No. 2090 Secs. 4, 10; NTC MC No. 11-9-93 Sec. 27; NTC MC No. 8-9-95; DOTC Circular No. 91-260; E.O. No. 109.

Cases: PAL v. CAB (G.R. No. 119528, 1997); RCPI v. NTC (G.R. No. L-68729, 1987); Albano v. Reyes (G.R. No. 83551, 1989); ACWS v. NTC (G.R. No. 144109, 2003); Phil Rabbit v.

Gabatin (G.R. No. L-24472, 1968); Rizal Light v. Morong (G.R. Nos. L-20993 and L-21221, 1968); Eastern Telecom v. Intl Communication (G.R. No. 135992, 2004); Republic v. Republic Telephone (G.R. No. 64888, 1996); PLDT v. NTC (G.R. No. 88404, 1990); Raymundo v. Luneta Motor (G.R. Nos. 39902 and 39903, 1933); Pangasinan Transportation v. PSC (G.R. No. 47065, 1940).

Source and Verification Note

This reviewer reads Aquino 2024 Chapter 14 pages 949 to 978 against the Part III-B syllabus slice, with Batch 3 digests 57 and 61 to 70 and the compiled 2016 to 2025 commercial-law questionnaire. The scanned textbook carries no text layer so its discussion is rendered through the section headings of the TOC file and the full batch digests with LawPhil full-text addresses recorded in each digest source line. Authority language was checked against primary text: C.A. No. 146 Secs. 15, 16(a), 16(b), 16(m), 16(n), 17(a), 20(g), 20(h), and 20(i) against the LawPhil Commonwealth Act page, and Art. XII Sec. 11 against the LawPhil Constitution page. Case doctrine comes from the batch digests for PAL, RCPI, Albano, ACWS, Phil Rabbit, Rizal Light, Eastern Telecom, Republic Telephone, PLDT, Raymundo, and Pangasinan Transportation. The compiled questionnaire file carries no commercial-law question on franchise, certificate, provisional authority, or transfer doctrine for 2016 to 2025, so every drill in this reviewer is drafted from the doctrine and labeled accordingly with no year assigned. The amendatory law is R.A. No. 11659, approved March 21, 2022. The docket correction for ACWS follows the case list: G.R. No. 144109 decided February 17, 2003, since G.R. No. 144104 belongs to an unrelated case.

Part III-C — Due Process, Rates, Transfers, Offenses

PART 1 — SYLLABUS

1. Coverage Map

§	Topic	Priority	The one rule you must state cold	Authority
1	Due Process: alternative penalty and fine, NTC against legislative franchise, hearing rule with cure and no-hearing powers	Core	No certificate is suspended or revoked without prior notice and hearing, the fine is cumulative and never bars revocation, and the NTC never cancels a legislative franchise since only Congress repeals what Congress grants	C.A. No. 146 Secs. 16(m), 16(n), 17(a), 21 as amended by R.A. No. 11659; Rizal Light v. Morong (G.R. Nos. L-20993 and L-21221, 1968); Albano v. Reyes (G.R. No. 83551, 1989)
2	Rate Regulation: police power, non-delegation, domestic shipping deregulation, non-discrimination, fair and reasonable standard, operating expenses, provisional increase, collection and refund	Core	Rate regulation is police power, the fair and reasonable rate balances investor return with consumer protection, delegated rate power never passes to the operator, and provisional rates are temporary and always ripen only after hearing within fifteen days	C.A. No. 146 Sec. 16(c) as amended by R.A. No. 11659; Pangasinan Transportation v. PSC (G.R. No. 47065, 1940); PLDT v. NTC (G.R. No. 88404, 1990)

§	Topic	Priority	The one rule you must state cold	Authority
3	Transfer of Properties and Shares; Unlawful Acts; Administrative Fines against Criminal Cases; Rule-Making and Quasi-Judicial Functions	High	No sale, lease, merger, or control-shifting stock transfer binds without prior Commission approval, fines are administrative and prescriptible under Act No. 3326 while felonies go to court, and one agency may investigate, prosecute, adjudicate, and make rules without violating due process	C.A. No. 146 Secs. 19, 20(g), 20(h), 20(i), 21, 28, 35 as amended by R.A. No. 11659; Raymundo v. Luneta Motor (G.R. Nos. 39902 and 39903, 1933); RCPI v. NTC (G.R. No. L-68729, 1987)

2. Learning Objectives

1. State the Sec. 21 alternative-penalty rule cold and explain why the fine never bars revocation or any other remedy.
2. Distinguish NTC cancellation of a certificate from congressional repeal of a legislative franchise and state who may do each.
3. Run the hearing checklist in order: acts needing prior notice and hearing, Sec. 17 acts needing none, and cure of a hearing defect by motion for reconsideration.
4. Recite the fair and reasonable rate standard and balance investor return against consumer protection on any rate facts.
5. Apply the non-delegation rule to fare-range grants and state why the operator never fixes its own effective rates.
6. Run the transfer checklist: used-and-useful property, ordinary-course exception, forty percent single-transferee ceiling, and sixty percent Filipino floor with voidness for breach.
7. Distinguish an administrative fine from a criminal prosecution by forum, penalty, and prescription, and prescription under Act No. 3326.
8. Draft a complete answer on due process, rates, transfers, fines, or agency functions under time.

3. Authority Inventory

A. Cases

Case	G.R./Citation	One-line ratio	§
Rizal Light v. Morong	G.R. Nos. L-20993 and L-21221, September 28, 1968	Contumacious breach draws revocation over a fine since the Sec. 21 fine is cumulative, and protection of investment shields only operators of good standing	1, 3
Albano v. Reyes	G.R. No. 83551, July 11, 1989	A PPA contract with presidential approval authorizes port operation with no separate congressional franchise since Congress may delegate licensing	1
Pangasinan Transportation v. PSC	G.R. No. 47065, June 26, 1940	The Public Service Act is constitutional police-power regulation and a certificate is a mere privilege	2
PLDT v. NTC	G.R. No. 88404, October 18, 1990	Provisional authority is temporary and non-exclusive, share sales need only Commission approval while franchise assignment needs Congress, and interconnection may be compelled	2, 3
Eastern Telecom v. Intl Communication	G.R. No. 135992, July 23, 2004	Healthy competition replaced the one-carrier scheme so a second carrier may hold provisional authority over an area already served	2
Republic v. Republic Telephone	G.R. No. 64888, November 28, 1996	No franchise is exclusive and directory negotiation language never creates a monopoly	2
Raymundo v. Luneta Motor	G.R. Nos. 39902 and 39903, November 29, 1933	Certificates are property liable to execution and pass to the execution creditor with Commission approval	3
RCPI v. NTC	G.R. No. L-68729, May 29, 1987	A legislative franchise never exempts the holder from NTC jurisdiction and never blocks a newcomer	3

Case	G.R./Citation	One-line ratio	§
Phil Rabbit v. Gabatin	G.R. No. L-24472, July 31, 1968	Commission findings of need and capability on substantial evidence bind the Court and yield only to public interest	3

B. Laws and Rules

Law	What it does here	§
Constitution Art. XII Sec. 11	Bans exclusive utility grants, caps every grant at fifty years, and subjects every franchise to amendment, alteration, or repeal by Congress	1, 2
C.A. No. 146 Sec. 16(c) as amended by R.A. No. 11659	Fixes fair and reasonable rates with provisional approval, fifteen-day hearing, prudent-cost methodology, and deregulation carve-outs	2
C.A. No. 146 Secs. 16(d) to 16(f)	Fixes standards, measurement, and meter-accuracy rules after notice and hearing	1, 2
C.A. No. 146 Secs. 16(g) to 16(l)	Compels adequate service and extensions and fixes depreciation rates after notice and hearing	1, 2
C.A. No. 146 Secs. 16(m) and 16(n)	Authorizes amendment, suspension, and revocation for misrepresentation, change, or willful violation with thirty-day pre-hearing suspension	1, 3
C.A. No. 146 Sec. 17 as amended by R.A. No. 11659	Lists eleven investigatory and enforcement powers exercisable without previous hearing	1, 3
C.A. No. 146 Sec. 19 as amended by R.A. No. 11659	Names the unlawful acts of a public service including refusal of calamity service under new paragraph (d)	3
C.A. No. 146 Sec. 20(a) as amended by R.A. No. 11659	Requires prior approval of rates that are prudent and efficient with burden of proof on the proponent	2
C.A. No. 146 Sec. 20(g) as amended by R.A. No. 11659	Requires prior approval for sales, leases, mergers, and encumbrances of used-and-useful property	3
C.A. No. 146 Secs. 20(h) and 20(i) as amended by C.A. No. 454	Voids control-shifting stock transfers and alien transfers dropping Filipinos below sixty percent	3

Law	What it does here	§
C.A. No. 146 Sec. 21 as amended by R.A. No. 11659	Imposes the P5,000 to P2,000,000 daily administrative fine after notice and hearing with refund and cumulative-remedy rules	1, 3
C.A. No. 146 Sec. 28 as amended by R.A. No. 11659	Sends prescription of violations to Act No. 3326 as amended	3
C.A. No. 146 Secs. 29, 34, 35	Fixes hearing rules with contempt, fifteen-day reconsideration, and Supreme Court review for want of evidence, illegality, or jurisdiction	1, 3
R.A. No. 11659, approved March 21, 2022	Amends the Public Service Act and carries the rate, transfer, fine, and procedure limits into every grant	1, 2, 3
R.A. No. 7925; R.A. No. 8479; R.A. No. 9136; R.A. No. 9295 Sec. 8; R.A. No. 6957	Carry the deregulation policies that Sec. 16(c) expressly refuses to repeal	2
Act No. 3326 as amended	Fixes prescription periods for violations penalized by special acts	3
R.A. No. 7832 Secs. 4, 6 with ERB Resolution No. 95-21	Fixes the disconnection procedure before any electric cutoff for meter tampering	2
LTFRB Memorandum Circular 2011-004 pars. 10, 28	Fixes the fare-matrix posting and taximeter testing duties of PUV operators	2

4. Three-Pass Study Plan

Pass	Time	What you do	Output
1	40 percent	Frame controlling provisions: recite Sec. 16(c), Sec. 16(n), Sec. 17, Sec. 20(g) to 20(i), and Sec. 21 cold	One-page provision map from memory

Pass	Time	What you do	Output
2	35 percent	Distinguish pairs: fine against revocation, franchise repeal against certificate cancellation, hearing required against Sec. 17 powers, provisional against final rates, share sale against franchise assignment, administrative fine against criminal case	Distinction tables reproduced cold
3	25 percent	Apply problems: one drafted problem per section under time	Three marked answers under time

Why this order: the examiner grades provision-first answers, so the authority filter comes before doctrine. Then confusion pairs win marks because Part III-C questions punish merged characterizations of penalties, rates, transfers, and agency powers.

5. Syllabus Self-Check

1. Recite the Sec. 21 fine range per day and state the two conditions before any fine attaches. (§1)
2. A utility ignored voltage directives for eight years and cured nothing after hearings. Must the Commission settle for a fine. (§1)
3. The NTC cancels the CPC of a broadcast station that holds a congressional franchise. Whose act ends the franchise. (§1)
4. A certificate was revoked without prior hearing but the operator fully litigated the merits on reconsideration and won partial relief. Was due process denied. (§1)
5. Name five Sec. 17 powers exercisable without previous hearing. (§1)
6. Recite the fair and reasonable standard and state who balances investor return against consumer protection. (§2)
7. The LTFRB lets provincial buses add twenty percent over the authorized fare at their discretion. Is the grant valid. (§2)
8. Domestic shipping rates are filed for approval over the objection that MARINA must fix them. Must MARINA act. (§2)
9. A utility books its income tax as operating expense and asks a return on it. Must the regulator allow the item. (§2)

10. Provisional rates took effect without hearing and the hearing opened on day fifteen. Was the procedure lawful. (§2)

11. A bus company sells forty-five percent of subscribed capital to one buyer without approval. What is the status of the sale. (§3)

12. A stock sale to an alien drops Filipino holdings to fifty-five percent. What follows for the sale and the certificate. (§3)

13. The NTC fines a station P100,000 per day without prior hearing. Is the fine valid. (§3)

14. A damage suit turns on whether rates are confiscatory while a rate case pends before the regulator. Which tribunal decides first. (§3)

15. A non-utility interferes with ice shipments under a Commission order outside any franchise area. May the Commission reach the act. (§3)

PART 2 — BOOK + AUTHORITY REVIEWER

0. One-Page Outline

#	Topic	Must-know: provision + elements
1	Due Process: alternative penalty, NTC against legislative franchise, hearing rule	Sec. 21 fines P5,000 to P2,000,000 daily after notice and hearing as one cumulative remedy, Sec. 16(n) revokes only for violation or contumacious refusal, and only Congress repeals a franchise
2	Rate Regulation: police power, non-delegation, deregulation, just standard, expenses, provisional increase, collection	Sec. 16(c) fixes fair and reasonable rates with fifteen-day hearing on provisional grants, prudent-cost recovery with reasonable return, no discrimination, and deregulated sectors carved out
3	Transfers, Unlawful Acts, Fines, Rule-Making and Quasi-Judicial Functions	Sec. 20(g) to 20(i) voids unapproved transfers and alien drops below sixty percent, Sec. 19 names unlawful acts, Sec. 21 fines administratively while courts punish crimes, and Secs. 17, 29, 34, and 35 frame agency action and review

Framing questions for every problem: which power is tested (penalty, rate fixing, transfer approval, fine, or rule against adjudication). Which provision supplies each element. What hearing, approval, or competition fact defeats it. What remedy and what tribunal controls the outcome.

Mnemonic for the three sections: Punish Fairly, Price Justly, Transfer Formally (P-P-T). Numbers: 16-17-21 (hearing rule, no-hearing powers, fines), 15 (hearing days on provisional rates), 30 (pre-hearing suspension days), 40-60 (stock ceilings and floors), 50 (maximum years), 3326 (prescription act).

1. Due Process: Alternative Penalty, NTC Against Legislative Franchise, Hearing Rule

> "No franchise, certificate, or any other form of authorization for the operation of a public utility shall be granted except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines, at least sixty per centum of whose capital is owned by such citizens; nor shall such franchise, certificate, or authorization be exclusive in character or for a longer period than fifty years. Neither shall any such franchise or right be granted except under the condition that it shall be subject to amendment, alteration, or repeal by the Congress when the common good so requires. The State shall encourage equity participation in public utilities by the general public. The participation of foreign investors in the governing body of any public utility enterprise shall be limited to their proportionate share in its capital, and all the executive and managing officers of such corporation or association must be citizens of the Philippines."
>
> "To suspend or revoke any certificate issued under the provisions of this Act whenever the holder thereof has violated or willfully and contumaciously refused to comply with any order rule or regulation of the Commission or any provision of this Act: Provided, That the Commission, for good cause, may prior to the hearing suspend for a period not to exceed thirty days any certificate or the exercise of any right or authority issued or granted under this Act by order of the Commission, whenever such step shall in the judgment of the Commission be necessary to avoid serious and irreparable damage or inconvenience to the public or to private interests."
>
> "To amend, modify or revoke at any time certificate issued under the provisions of this Act, whenever the facts and circumstances on the strength of which said certificate was issued have been misrepresented or materially changed."

Element or Requisite	Content
The ex parte rule	The regulator never revokes a certificate ex parte without previous notice and opportunity to explain, and every such revocation violates due process, Sec. 16(n), and settled doctrine
The alternative penalty	The Commission may impose a fine as one remedy among others since the last sentence of Sec. 21 makes the fine cumulative and additional, and the Court never substitutes its discretion where evidence supports the choice
Revocation over fine	Long violation of certificate conditions with incapability shown by inadequate service warrants outright revocation, because continued operation would sacrifice public interest to private interest
Revocation denied	Mere temporary non-operation from causes beyond control never warrants cancellation, and a single criminal misuse of a unit without operator complicity never cancels the innocent certificate
NTC against legislative franchise	The NTC has no power to cancel the legislative franchise behind a broadcast certificate, because cancellation of the operating license is a death sentence on speech that must survive strict scrutiny for a compelling state interest with the least restrictive means
Hearing defect cured	Absence of prior notice or hearing before suspension or revocation is cured by a full hearing on motion for reconsideration that raises every merit and defense the operator would have raised
Sec. 17 no-hearing powers	Investigation, compliance orders, uncertified-operation bans, expense assessments, bookkeeping and accounting orders, valuation, meter testing, special trip permits, accident inquiry, and law-compliance compulsion all proceed without previous hearing
Sec. 17 against Sec. 21	Sec. 17 confers no power to fine while Sec. 21 confers it only after due notice and hearing, so every fine without hearing fails even when the investigation behind it was lawful

A fine punishes the breach while revocation ends the privilege, so the two never exclude each other. A legislative franchise comes from Congress while a certificate comes from the regulator, so cancellation of one never cancels the other. A Sec. 17 investigation needs no prior hearing while a Sec. 21 fine always does, so the power invoked decides the process due.

Case: *Rizal Light v. Morong*, G.R. Nos. L-20993 and L-21221, September 28, 1968

Facts: Rizal Light held a 1949 certificate for electric service in Morong, ignored voltage and metering directives from 1954, missed hearings and filings, and lost its certificate with forfeiture of its franchise, while Morong Electric took a municipal franchise before incorporation, incorporated a month later, and won its own certificate on findings of need and financial capacity.

Issue: The issue was whether long neglect of certificate conditions justified revocation instead of a fine and whether the later franchise survived the want of corporate existence at the grant.

Held: The Court held that both orders stood, because inspection reports substantially supported the findings, contumacious refusal since 1954 warranted revocation over a mere fine, protection of investment shields only operators of good standing, the later incorporation with acceptance perfected the municipal contract, and a municipal franchise takes effect only upon Commission approval.

Doctrine: The Sec. 21 fine is one cumulative remedy that never bars revocation. Willful and contumacious breach draws cancellation. The protection rule never rewards neglect. A hearing defect on reconsideration is cured where the operator litigated every merit and defense.

Case: *Albano v. Reyes*, G.R. No. 83551, July 11, 1989

Facts: The PPA bid out the development, management, and operation of the Manila International Container Terminal, awarded the contract to ICTSI, and won presidential approval with directives keeping port planning and revenues with the PPA, while a taxpayer suit claimed that operation of the terminal as a public utility needed a congressional franchise under Art. XII Sec. 11.

Issue: The issue was whether a private operator of the container terminal needed a franchise specially granted by Congress before operating under the PPA contract with presidential approval.

Held: The Court held that no congressional franchise was necessary, because P.D. No. 857 lets the PPA operate by itself, by contract, or otherwise, E.O. No. 30 tasked the PPA with the port complex under that charter, and the PPA contract with presidential approval constituted the necessary authorization with a presumption of regularity.

Doctrine: Congress may delegate licensing so an agency contract with presidential approval needs no parallel franchise. Art. XII Sec. 11 lets Congress amend or repeal grants but never says only Congress may authorize operation. Courts leave bidder qualification to the agency absent grave abuse.

Q: A certificate holder disobeys voltage and metering directives for eight straight years, cures nothing after inspection reports and hearings, and pleads that the Commission must impose only the daily fine. Must the Commission settle for a fine.

A: No, because willful and contumacious refusal to obey orders and certificate conditions warrants revocation and the fine remedy is only cumulative and additional.

The law empowers the Commission to suspend or revoke where the holder violated or willfully and contumaciously refused to obey any order, rule, regulation, or provision of law, and the last sentence of Sec. 21 keeps every other remedy intact so a fine never blocks cancellation.

The ruling in Rizal Light v. Morong (G.R. Nos. L-20993 and L-21221, 1968) sustained revocation on exactly such an eight-year record of neglect since protection of investment shields only operators of good standing.

The Commission therefore revokes the certificate and forfeits the franchise on substantial evidence instead of stopping at a fine.

Q: The NTC cancels the CPC of a broadcast station that operates under a congressional franchise, and the station invokes free speech and prior restraint. May the NTC end the franchise by cancelling the certificate.

A: No, because the NTC has no power to cancel the legislative franchise behind the certificate and cancellation of the operating license operates as a death sentence on broadcast speech.

The Constitution protects broadcast media under the free-speech, expression, and press guarantees even while scarcity justifies regulation, and the franchise-plus-certificate framework already imposes fees, fines, and mandates through valid rule-making without ending the grant.

The ruling in Albano v. Reyes (G.R. No. 83551, 1989) confirms that franchise authority and agency authorization are distinct layers since a delegated contract with presidential approval can authorize operation where Congress supplied the delegation.

The NTC therefore keeps its fining and rule-making powers but leaves repeal of the franchise to Congress when the common good so requires.

Q: The Commission suspended a certificate without prior hearing, the operator moved for reconsideration raising every merit and defense it would have raised at the original hearing, and the Commission granted partial relief after full argument. Was due process denied.

A: No, because the later full hearing on reconsideration cured the earlier want of prior notice and hearing.

The law requires notice and hearing before suspension or revocation, yet the defect is procedural and curable where the operator actually adduced evidence, faced the record, and argued through

counsel on reconsideration.

The ruling in Rizal Light v. Morong (G.R. Nos. L-20993 and L-21221, 1968) treats hearing objections as waived unless timely raised and cures process through the granted reconsideration.

The suspension therefore stands as a valid exercise of the Sec. 16(n) power with the thirty-day pre-hearing limit observed.

2. Rate Regulation: Police Power, Non-Delegation, Deregulation, Just Standard, Expenses, Provisional Increase, Collection

> "To fix and determine the fair and reasonable individual or joint rates, tolls, charges, classifications, tariffs or schedules thereof, as well as commutation, mileage, kilometrage, and other special rates which shall be imposed, observed, and followed thereafter by any public service when the public interest so requires: Provided, That the Commission may, in its discretion, approve rates proposed by public services provisionally and without necessity of any hearing; but it shall call a hearing thereon within fifteen (15) days, thereafter, upon publication and notice to the affected parties in the territory affected, to ratify its prior provisional approval or change, modify or later the approved rate based on public interest: Provided, further, That in case the public service equipment of an operator is used principally or secondarily for the promotion of a private business, the net profits of said private business shall be considered in relation with the public service of such operator for the purpose of fixing the rates: Provided, finally, That when the public interest requires, the Administrative Agency may establish and enforce a methodology for setting rates, taking into account all relevant considerations, including the efficiency of the regulated public service. The rates must be such as to allow the recovery of prudent and efficient costs and a reasonable rate of return to enable the public service to operate viably and efficiently. The Administrative Agency may adopt alternative forms consistent with internationally accepted rate-setting methodology. The adopted rate-setting methodology shall ensure a reasonable price of the commodity or service and that the rates prescribed shall not be discriminatory."
>
> "To adopt, establish, fix, impose, maintain, or collect or carry into effect any individual or joint rates, commutation, mileage or other special rate, toll, fare, charge, classification or itinerary. The Commission shall approve only those that are prudent and efficient and not any that are unjustly discriminatory or unduly preferential, only upon reasonable notice to the public services and other parties concerned, giving them a reasonable opportunity to be heard, and the burden of the proof to show that the proposed rates or

> regulation are prudent and efficient shall be upon the public service proposing the same."

Element or Requisite	Content
Police-power basis	The State fixes utility rates under police power since private property devoted to public use and affected with public interest ceases to be purely private, and the regulation promotes the common good
The only standard	Every rate must be fair and reasonable, which balances a fair return on the property performing the service against a reasonable charge to the public, and no utility holds a vested right to any single valuation formula
Confiscatory against oppressive	A rate so low as to deny a reasonable return is confiscatory while a rate so high as to burden consumers is oppressive, and reasonableness is a question of fact calling for discretion, good sense, and independent judgment
Presumption and burden	Rates fixed by the agency are presumed reasonable, the challenger proves confiscation or oppression, and courts refuse to interfere absent abuse of discretion
Non-delegation	The legislature delegates rate fixing to the regulator, the regulator never subdelegates it to the operator, and every fare range letting carriers raise fares at will is an invalid undue delegation
Deregulation carve-outs	Sec. 16(c) never mandates rate regulation nor repeals the telecom, oil, power, domestic shipping, and BOT deregulation laws with their implementing issuances, and domestic shipping rates stand deregulated under R.A. No. 9295
Non-discrimination	The methodology must yield a reasonable price with no discriminatory rates, carriers charge the same for like contemporaneous service under similar conditions, and no undue preference or prejudice survives
Private-business profits	Where utility equipment also promotes a private business, the net profits of that business enter the rate computation
Operating expenses	Only reasonable, recurring expenses attributable to production of the service enter the rate, so the utility recoups prudent costs over depreciation and earns a return above them
Income tax excluded	Income tax is an excise on the privilege of earning and benefits only the taxpayer, so it never enters operating expenses and never shifts to consumers

Element or Requisite	Content
Depreciation allowance	The agency fixes proper and adequate depreciation rates, the utility carries the fund from earnings, and the fund spends only on depreciation, improvements, construction, extensions, or additions
Provisional increase	Urgent public need lets the agency approve rates provisionally without hearing since provisional rates are temporary and adjustable to the definitive rates after final hearing, with a mandatory hearing within fifteen days on publication and notice
Collection and refund	The utility collects only approved rates, overcollection draws refund in lieu of or in addition to the fine, even a once-approved rate falls where it offends the Constitution or statutes, and PUV and metering duties enforce exact charging

Rate regulation protects the public against arbitrary and excessive rates while keeping service efficient and viable. The legislature fixes the policy while the agency applies it, so courts review only reasonableness as a judicial question. A provisional grant answers urgency on first look while only the final rate answers merit after hearing.

Case: *Pangasinan Transportation v. PSC,* G.R. No. 47065, June 26, 1940

Facts: A bus operator challenged the Public Service Act and its rate and certificate regime as an invalid delegation and a taking, while the Commission defended regulation of fares and service as police power over a business affected with public interest.

Issue: The issue was whether the Public Service Act with its rate-fixing and certificate powers validly regulates operators as police power or unconstitutionally delegates and takes property.

Held: The Court held that the Act is constitutional, because public interest supplies a sufficient standard, a certificate is a mere privilege reachable by regulation, and new conditions on existing certificates need only notice and hearing to bind.

Doctrine: Rate regulation is valid police power over property devoted to public use. Public interest in a proper and suitable manner is an adequate legislative standard. Conditions on existing grants bind after due process.

Case: *PLDT v. NTC*, G.R. No. 88404, October 18, 1990

Facts: The NTC granted a cellular newcomer provisional authority with interconnection to the public switched network, PLDT opposed as the incumbent carrier claiming vested protection of its investment and franchise area, and the regulator ordered interconnection within ninety days under the municipal telephone mandate.

Issue: The issue was whether the NTC could provisionally authorize a competing cellular operator with compelled interconnection over the incumbent objection of monopoly and taking.

Held: The Court held that the provisional grant with interconnection stood, because provisional authority is temporary, limited, non-exclusive, and revocable with the merits left for final hearing, no utility holds a constitutional right to a monopoly, and police power with R.A. No. 6849 compels interconnection for public access.

Doctrine: Provisional relief answers urgency and never decides the merits. Share sales need only Commission approval while franchise assignment needs Congress. Interconnection may be compelled and the incumbent never vetoes entry.

Case: *Eastern Telecom v. Intl Communication*, G.R. No. 135992, July 23, 2004

Facts: An international carrier opposed a second local exchange entrant under the old service area scheme, the NTC granted the newcomer provisional authority on findings of technical and financial capability with demand growth, and the incumbent claimed exclusive territory with taking of its cross-subsidy base.

Issue: The issue was whether the NTC could grant provisional authority to a second carrier inside an area already served under a one-carrier scheme.

Held: The Court held that the grant stood, because later competition laws replaced the service area scheme with healthy competition, no authorization is ever exclusive, capability and demand findings on substantial evidence bind courts, and cross-subsidy from other services keeps less profitable areas viable.

Doctrine: A later healthy-competition law supersedes an old one-carrier rule. No prior operator owns exclusive territory. Provisional capability findings on substantial evidence are final policy judgments.

Case: *Republic v. Republic Telephone*, G.R. No. 64888, November 28, 1996

Facts: The Bureau of Telecommunications built and operated its own telephone system overlapping an incumbent franchise area, the incumbent sued to enjoin the State entry as exclusive invasion, and the Bureau invoked directory negotiation language with free-competition policy.

Issue: The issue was whether the Government could operate its own telephone system inside an incumbent franchise area without first concluding a negotiated agreement with the prior operator.

Held: The Court held that the State entry was lawful, because the negotiation proviso was directory and not mandatory, no franchise is exclusive in character, the Government is not

confined to non-commercial service, and ultra-protectionism would retard national development.

Doctrine: Directory language never conditions lawful State entry. No prior operator holds a monopoly against the Government. Free competition serves quality, technology, and service.

Q: The LTFRB authorizes provincial bus operators to collect the P0.37 per kilometer fare plus a floating band of fifteen percent over it at their own discretion, and a later increase compounds on the collected figure. Commuters challenge the band as surrender of rate power. Is the band valid.

A: No, because the band lets each operator fix its own effective fare and amounts to an undue delegation of the delegated rate power.

The law delegates rate fixing to the regulator under the fair and reasonable standard, the operator may propose new rates but never makes them effective without prior approval on evidence, and the regulator cannot decide in advance that unknown future rates are just.

The ruling in Pangasinan Transportation v. PSC (G.R. No. 47065, 1940) roots rate control in police power that the agency must actually exercise instead of surrendering to carriers.

The band therefore falls as illegal and invalid while the base authorized fare survives until lawfully changed.

Q: The regulator approves a provisional rate increase without hearing on urgent public need, publishes notice to affected parties, and opens the ratification hearing on the fifteenth day. The utility collects the provisional rate meanwhile. Was the procedure lawful.

A: Yes, because provisional rates are temporary and adjustable and the law expressly allows approval without necessity of any hearing with a hearing within fifteen days after.

The grant must publish notice to the affected territory, must convene the hearing to ratify, change, modify, or alter the provisional figure on public interest, and must fold the provisional collections into the definitive rate after final hearing.

The ruling in PLDT v. NTC (G.R. No. 88404, 1990) treats provisional relief as limited, non-exclusive, and revocable with the merits reserved for the main case.

The collections therefore stand pending the hearing outcome with refund or adjustment to follow the final rate.

Q: An electric utility books its income tax payments as operating expenses, asks a return on that item, and defends the entry as a cost of doing business. Consumers oppose the pass-through. Must the regulator allow the item.

A: No, because income tax never forms part of operating expenses and its burden stays with the taxpayer alone.

Operating expenses must be reasonable, recurring, and attributable to production of the service

so the utility recoups prudent costs and earns a return above them, while income tax is an excise on the privilege of earning that benefits no customer and yields no service revenue.
The return cases from Republic v. Meralco (G.R. Nos. 141314 and 141369, 2002) fix the fair-return-on-property standard with expenses limited to service-related prudent costs.
The regulator therefore disallows the item and sets the rate without shifting the tax to consumers.

3. Transfer of Properties and Shares; Unlawful Acts; Administrative Fines; Rule-Making and Quasi-Judicial Functions

> "To sell, alienate, mortgage, encumber or lease its property, franchises, certificates, privileges, or rights, or any part thereof, or merge or consolidate its property, franchise, privileges or rights, or any part thereof, with those of any other public service. The approval therein required shall be given, after notice to the public and after hearing the persons interested at a public hearing, if it be shown that there are just and reasonable grounds for making the mortgage or encumbrance, for liabilities of more than one year maturity, or the sale, alienation, lease, merger, or consolidation to be approved, and that the same are not detrimental to the public interest, and in case of sale, the date on which the same is to be consummated shall be fixed in the order of approval: Provided, however, That nothing herein contained shall be construed to prevent the transaction from being negotiated or completed before its approval or to prevent the sale, alienation, or lease by any public service of any of its property in the ordinary course of its business: Provided, finally, That the need for approval of the sale, alienation, mortgage, encumbrance or lease will be required only for properties of the public service that are used and useful in the delivery of the required public service."
>
> "To sell or register in its books the transfer or sale of shares of its capital stock, if the result of that sale in itself or in connection with another previous sale, shall be to vest in the transferee more than forty per centum of the subscribed capital of said public service. Any transfer made in violation of this provision shall be void and of no effect and shall not be registered in the books of the public service corporation. Nothing herein contained shall be construed to prevent the holding of shares lawfully acquired."
>
> "To sell, alienate or in any manner transfer shares of its capital stock to any alien if the result of that sale, alienation, or transfer in itself or in connection with another previous sale shall be the reduction to less than sixty per centum of the capital stock belonging to Philippine citizens. Such sale, alienation or transfer shall be void and of no effect and shall be sufficient cause for ordering the cancellation of the certificate."

"It shall be unlawful for any public service: (a) To provide or maintain any service that is unsafe, improper, or inadequate or withhold or refuse any service which can reasonably be demanded and furnished, as found and determined by the Commission in a final order which shall be conclusive and shall take effect in accordance with this Act, upon appeal or otherwise."

"To make or give, directly or indirectly, by itself or through its agents, attorneys or brokers, or any of them, discounts or rebates on authorized rates, or grant credit for the payment of freight charges, or any undue or unreasonable preference or advantage to any person or corporation or to any locality or to any particular description of traffic or service, or subject any particular person or corporation or locality or any particular description of traffic to any prejudice or disadvantage in any respect whatsoever; to adopt, maintain, or enforce any regulation, practice or measurement which shall be found or determined by the Commission to be unjust, unreasonable, unduly preferential or unjustly discriminatory in a final order which shall be conclusive and shall take effect in accordance with the provisions of this Act, upon repeal or otherwise."

"To refuse or neglect, when requested by the Administrative Agency to urgently use, deliver or render the public service for the purpose of avoiding further loss on human, material, economic, or environment during a state of calamity."

"In the absence of any specific fine or penalty imposed under the Charter of the Administrative Agency or the special law governing the particular public service, any public service violating or failing to comply with the terms and conditions of any certificate or any order, decision or regulation of the Commission shall be subject to a fine of not lower than Five thousand pesos (P5,000.00) but not exceeding Two million pesos (P2,000,000.00) per day for every day during which such default or violation continues; and the Commission is hereby authorized and empowered to impose such fine, after due notice and hearing: Provided, That should a lesser fine or penalty be imposed under the Charter of the Administrative Agency or the special law governing the public service, the amount of fine or penalty provided for under this section shall apply."

"In cases where rates collected by the public service exceed the rates authorized by the Administrative Agency, the Administrative Agency may order a refund to consumers in lieu of or in addition to the fine or penalty imposed under this Act or the special law governing the public service."

> "The fines so imposed shall be paid to the Government of the Philippines through the Commission, and failure to pay the fine or comply with the order to refund in any case within the time specified in the order or decision of the Commission shall be deemed good and sufficient reason for the suspension of the certificate of said public service until payment shall be made or the order is complied with. Payment may also be enforced by appropriate action brought in a court of competent jurisdiction. The remedy provided in this section shall not be a bar to, or affect any other remedy provided in this Act but shall be cumulative and additional to such remedy or remedies."
>
> "Violations of the orders, decisions, and regulations of the Commission and of the terms and conditions of any certificate issued by the Commission and violations of the provisions of this Act shall prescribe in accordance with Act No. 3326, entitled 'An Act to Establish Periods of Prescription for Violations Penalized by Special Acts and Municipal Ordinances and to Provide When Prescription Shall Begin to Run', as amended."
>
> "The Supreme Court is hereby given jurisdiction to review any order, ruling, or decision of the Commission and to modify or set aside such order, ruling, or decision when it clearly appears that there was no evidence before the Commission to support reasonably such order, ruling, or decision, or that the same is contrary to law, or that it was without the jurisdiction of the Commission."

Element or Requisite	Content
Property transfers needing approval	Sale, alienation, mortgage, encumbrance, or lease of used-and-useful property, franchises, certificates, privileges, or rights in whole or part, and merger or consolidation with another public service
Approval standard	Public notice with hearing of interested persons, just and reasonable grounds, no detriment to the public interest, fixed consummation date for sales, while negotiation before approval and ordinary-course dispositions need no prior leave
Forty percent ceiling	No sale or book registration vesting more than forty per centum of subscribed capital in one transferee counting connected previous sales, and every violative transfer is void and unregistrable
Sixty percent alien floor	No sale, alienation, or transfer to an alien dropping Philippine citizens below sixty per centum of capital stock, and every violative transfer is void and independently cancels the certificate

Element or Requisite	Content
Share sale against franchise assignment	Share sales need only agency approval since stockholders own the shares, while franchise assignment needs congressional sanction since the corporation as grantee owns the franchise that survives changes in stockholders
Certificates on execution	Certificates are property with material value passing the beneficial-interest test, so attachment, auction sale, and Commission approval of transfer to the execution creditor all hold with priority over a later private sale under levy
Unlawful acts	Unsafe, improper, or inadequate service with refusal of demandable service, discounts, rebates, freight credit, undue preference, unjust discrimination, mail refusal, and calamity-service refusal, each fixed by final Commission order
Administrative fine	P5,000 to P2,000,000 per day of continuing default after due notice and hearing, payable to the Government through the Commission, with suspension until payment or refund compliance and court enforcement available
Refund over overcollection	Overcollection above authorized rates draws refund to consumers in lieu of or in addition to the fine, and even a once-approved rate falls with refund where it offends constitutional or statutory rules
Fine against crime	Sec. 21 fines are administrative, regulatory, and non-penal for adequate service, while Secs. 23 to 26 punish corporations, participants, and obstructors with court fines and imprisonment
Prescription	Administrative and criminal violations alike prescribe under Act No. 3326 as amended, and the old sixty-day and one-hundred-eighty-day rules no longer govern
Rule-making power	Delegated rules must stay within the statute, serve its objects, conform to its standards, and yield to the Constitution and the enabling law in any conflict
Quasi-judicial power	The agency hears facts, weighs evidence, and applies legislative policy to them in a judicial manner as incidental to its executive duty
Multiple functions allowed	One agency may license, contract, make rules, fix rates, and adjudicate together, since studied dual authority with expertise and dispatch breaches no constitutional principle
Primary jurisdiction	Courts defer where agency competence exists, yet pure questions of franchise scope and fraud go to ordinary courts, and Commission fact findings on substantial evidence bind the Court

Element or Requisite	Content
Persons covered	Jurisdiction reaches certificate holders and franchise grantees with violators of valid regulations, yet every outsider still gets a day in court with due process
Prosecution with investigation	The Commission investigates on its own or on written complaint, enforces standards, bars uncertified operation, and risks revocation for non-payment of certificate fees, all without previous hearing

Negotiation before approval is allowed while consummation without approval is void. A share sale shifts investors and needs agency leave while a franchise assignment shifts the grant and needs congressional leave. An administrative fine protects service through the agency while a criminal sentence punishes guilt through the courts.

Case: *Raymundo v. Luneta Motor,* G.R. Nos. 39902 and 39903, November 29, 1933

Facts: Guzco Transit defaulted on truck notes secured by chattel mortgage, the creditor attached and garnished its three bus-line certificates through the Commission secretary and bought two of them at auction, and nine days after attachment the debtor privately sold all three certificates with some trucks to Raymundo.

Issue: The issue was whether certificates of public convenience are property liable to execution and which transfer prevails between the earlier auction sale and the later private sale.

Held: The Court held that the certificates are property liable to execution, because the holder may sell voluntarily with approval so the law allows involuntary taking by legal process, and the earlier attachment and auction prevailed over the later private sale made under levy.

Doctrine: Certificates carry material value and pass the beneficial-interest test for attachment. No statute exempts them from execution. The Commission may approve transfer to the execution creditor. A private sale after levy never defeats the execution sale.

Case: *RCPI v. NTC,* G.R. No. L-68729, May 29, 1987

Facts: A telegraph franchise holder operated with certificates from the regulator, challenged NTC authority over its services and new authorizations to competitors in the same field, and claimed its legislative franchise already authorized operation with exclusivity against entrants.

Issue: The issue was whether a legislative franchise exempts the holder from NTC certificate jurisdiction and blocks authority granted to another operator for the same area.

Held: The Court held that the franchise never exempts the holder, because the franchise and the certificate are distinct, every grant is non-exclusive in character, and the regulator keeps

jurisdiction to authorize capable newcomers where public interest so requires.

Doctrine: A franchise answers the sovereign grant while a certificate answers regulatory permission. No franchise blocks a newcomer certificate. The regulator reaches every operator within its field.

Case: *Phil Rabbit v. Gabatin*, G.R. No. L-24472, July 31, 1968

Facts: A bus applicant sought new certificates over incumbent opposition on a route with unserved passengers, the Commission found need with applicant capability on the evidence, and the incumbent invoked the prior operator rule with attacks on the findings.

Issue: The issue was whether the Commission could grant new certificates over prior-operator opposition and whether its findings of need and capability on the evidence would stand.

Held: The Court held that the grant stood, because public interest defeats the prior operator rule, findings on substantial evidence bind the Court, and credibility and preponderance belong to the Commission and not to de novo review.

Doctrine: The prior operator rule yields to proven public need. Substantial-evidence findings are final. Courts never substitute discretion on facts. Abuse of power is the only key to reversal.

Q: A bus company sells forty-five percent of its subscribed capital to a single buyer in two connected deeds without Commission approval and books the transfer. The buyer demands recognition as stockholder. Must the company register the buyer.

A: No, because every transfer vesting more than forty per centum of subscribed capital in one transferee without prior approval is void and unregistrable.
The law counts connected previous sales together so structuring in tranches never evades the ceiling, and the corporation may not book what the statute voids.
The ruling in PLDT v. NTC (G.R. No. 88404, 1990) applies the Sec. 20(h) approval rule to share transfers with only the agency empowered to allow them.
The buyer therefore holds nothing registrable and the company faces sanction if it keeps the entry.

Q: A utility sells ten percent of its stock to an alien and Filipino holdings fall to fifty-five percent of capital. The parties call the sale private and internal. What follows for the sale and the certificate.

A: The sale is void and of no effect and independently supplies cause to cancel the certificate.
The law voids every alien transfer that in itself or with connected previous sales drops Philippine citizens below sixty per centum, and the same transfer expressly warrants cancellation of the authority to operate.

The constitutional sixty percent Filipino ownership rule in Art. XII Sec. 11 anchors the statutory floor construed in Gamboa v. Teves (G.R. No. 176579, 2011) with full beneficial ownership.
The Commission therefore strikes the transfer from the books and opens cancellation while the parties renegotiate a compliant Filipino-majority structure.

Q: The NTC fines a broadcast station P100,000 per day for operating after its provisional authority lapsed, without any prior notice or hearing, and the station claims the fine needs a criminal case in court. Is the fine valid.

A: The fine as imposed is void, though the NTC holds the fining power and no criminal case is needed.
The law empowers the successor agency to fine for violation of certificate terms after due notice and hearing within the P5,000 to P2,000,000 daily range, and such proceedings are administrative and regulatory rather than penal with prescription under Act No. 3326 instead of court rules.
Temporary permits never bar fines for post-expiry operation, yet notice and hearing remain indispensable to the quasi-judicial act.
The NTC therefore re-issues the fine only after proper notice and hearing, with refund, suspension until payment, and court enforcement available as cumulative remedies.

Quick-Recall Tables

Provision	Numbers that control
Sec. 16(c) rate power	Fair and reasonable rates, provisional approval without hearing, ratification hearing within 15 days, prudent-cost recovery with reasonable return, no discrimination
Sec. 16(m) and 16(n)	Amendment, suspension, or revocation for misrepresentation, change, or willful violation with 30-day pre-hearing suspension
Sec. 17 no-hearing powers	Eleven investigatory and enforcement acts without previous hearing, never including the fine
Sec. 20(a) rate approval	Only prudent and efficient rates on reasonable notice with burden on the proponent
Sec. 20(g) to 20(i)	Prior approval for sales, leases, mergers, and control-shifting stock moves with voidness for breach
Sec. 21 fine and refund	P5,000 to P2,000,000 per day after notice and hearing with consumer refund and cumulative remedies
Sec. 28 prescription	Act No. 3326 as amended governs every violation

Provision	Numbers that control
Secs. 34, 35 review	Fifteen-day reconsideration, Supreme Court reversal only for want of evidence, illegality, or want of jurisdiction

Period or Threshold	Figure
Provisional-rate hearing	15 days after provisional approval
Pre-hearing suspension	30 days for good cause
Single-transferee stock ceiling	More than 40 per centum of subscribed capital needs prior approval
Alien-transfer citizenship floor	Philippine citizens keep at least 60 per centum of capital stock
Certificate maximum	50 years at any given time
No exclusivity	No franchise, certificate, or authorization is ever exclusive
Fine range	P5,000 to P2,000,000 per day of continuing default
Contempt before the Commission	P2,000 or 10 days or both

Rate question	Answer
Who fixes rates	The regulator under police power on the fair and reasonable standard
May the operator fix its own rates	No, every delegation to the operator is an undue subdelegation
Are shipping rates regulated	No, domestic shipping stands deregulated with telecom, oil, power, and BOT sectors
Does income tax enter expenses	No, the tax stays with the taxpayer and never shifts to consumers
When are provisional rates lawful	On urgent need without hearing with a 15-day published ratification hearing
What follows overcollection	Refund to consumers in lieu of or in addition to the fine

Penalty question	Rule
Fine or revocation first	Either, since the fine is cumulative and never bars revocation
Who repeals a franchise	Only Congress when the common good so requires
Who cancels a certificate	The regulator after notice and hearing for violation or contumacious refusal
Fine without hearing	Void, since Sec. 21 always needs due notice and hearing
Crime or fine	Fine before the agency, imprisonment and court fines only before the courts
Prescription	Act No. 3326 as amended for every violation

Function question	Answer
May one agency make rules and decide cases	Yes, studied dual authority with expertise breaches no principle
Who decides franchise scope and fraud	Ordinary courts, since those are pure legal questions outside agency competence
Are agency fact findings final	Yes on substantial evidence absent shown abuse of power
Who does the agency reach	Holders, grantees, and violators of valid regulations with due process for outsiders

Exam Traps

1. A fine punishes the breach while revocation ends the privilege, and the two never exclude each other.
2. Contumacious breach draws cancellation while a single unconnected misuse never cancels the innocent certificate.
3. Temporary stoppage from causes beyond control never cancels, since certificates carry heavy invested capital.
4. A hearing defect is cured by full litigation on reconsideration, so later process heals earlier want of notice.
5. The NTC fines, regulates, and issues certificates, yet only Congress repeals a legislative franchise.
6. Cancellation of a broadcast license is a death sentence on speech, so strict scrutiny with the least restrictive means governs.
7. Police power fixes rates while courts judge only reasonableness, so the forum follows the question asked.
8. A fare band at operator discretion is an undue subdelegation, and compounding on collected figures doubles the defect.
9. Deregulated sectors stay deregulated, so Sec. 16(c) never revives rate control over shipping, telecom, oil, power, or BOT grants.
10. Private-business profits join the computation while income tax never does, since only service costs earn a return.
11. Provisional rates answer urgency without hearing while final rates answer merit after hearing within fifteen days.
12. Overcollection draws refund even where the rate was once approved but offends higher law.

13. Negotiation before approval is allowed while consummation without approval is void, and ordinary-course sales need no leave.

14. Only used-and-useful property needs transfer approval, so the test is service use rather than ownership alone.

15. Connected sales count together toward the forty percent ceiling, and structuring in tranches never evades it.

16. An alien drop below sixty percent is void and independently cancels the certificate.

17. Share sales need agency approval while franchise assignment needs congressional sanction, since the corporation owns the grant.

18. Certificates are privileges against the State yet property against creditors, so revocation and execution coexist.

19. Sec. 17 investigates without hearing while Sec. 21 fines only after hearing, so the power invoked decides the process.

20. One agency may investigate, prosecute, adjudicate, and make rules together without violating due process.

21. Primary jurisdiction defers to competence while franchise scope and fraud stay with ordinary courts.

22. Substantial-evidence findings bind the Court, and only shown abuse of power opens reversal.

Key Authorities Cited

Codes and Constitution: 1987 Constitution Art. XII Sec. 11; C.A. No. 146 Secs. 16(c), 16(d) to 16(n), 17, 19, 20(a), 20(g), 20(h), 20(i), 21, 28, 29, 34, 35 as amended by C.A. No. 454, R.A. No. 723, and R.A. No. 11659, approved March 21, 2022.

Special laws and rules: R.A. No. 7925; R.A. No. 8479; R.A. No. 9136; R.A. No. 9295 Sec. 8; R.A. No. 6957; R.A. No. 7832 Secs. 4, 6; Act No. 3326 as amended; R.A. No. 6849; E.O. No. 546; P.D. No. 857 Sec. 6; E.O. No. 30; E.O. No. 109; LTFRB Memorandum Circular 2011-004; NTC Rules of Practice and Procedure Rule 15 on provisional relief; ERB Resolution No. 95-21.

Cases: Rizal Light v. Morong (G.R. Nos. L-20993 and L-21221, 1968); Albano v. Reyes (G.R. No. 83551, 1989); Pangasinan Transportation v. PSC (G.R. No. 47065, 1940); PLDT v. NTC (G.R. No. 88404, 1990); Eastern Telecom v. Intl Communication (G.R. No. 135992, 2004); Republic v. Republic Telephone (G.R. No. 64888, 1996); Raymundo v. Luneta Motor (G.R. Nos. 39902 and 39903, 1933); RCPI v. NTC (G.R. No. L-68729, 1987); Phil Rabbit v. Gabatin (G.R. No. L-24472, 1968).

Source and Verification Note

This reviewer reads Aquino 2024 Chapter 14 pages 980 to 1012 against the Part III-C syllabus slice, with Batch 3 digests 57 and 61 to 70 and the compiled 2016 to 2025 commercial-law questionnaire. The scanned textbook carries no text layer so its discussion was recovered by page rasterization with OCR across PDF indices 1009 to 1042 covering book pages 980 to 1012, with section headings cross-checked to the TOC file. Authority language was checked against primary text: C.A. No. 146 Secs. 16(c), 16(d) to 16(n), 17, 19(a) to 19(c), 20(a) to 20(j), 21 to 35 against the LawPhil Commonwealth Act page, Secs. 16(c), 19(d), 20(a), 20(g), 21, 28, and 29 as amended against the LawPhil R.A. No. 11659 page, and Art. XII Sec. 11 against the verified Part III-A quotation of the LawPhil Constitution page since the direct Constitution fetch returned a server error during this run. Case doctrine comes from the batch digests for Rizal Light, Albano, Pangasinan Transportation, PLDT, Eastern Telecom, Republic Telephone, Raymundo, RCPI, and Phil Rabbit. Textbook-footnoted decisions cited in prose carry the cites Aquino prints, including Divinagracia v. CBS (G.R. No. 162272, 2009), Republic v. Meralco (G.R. Nos. 141314 and 141369, 2002), Kilusang Mayo Uno v. Garcia (G.R. No. 115381, 1994), Panay Autobus v. Phil Railway (G.R. No. L-37869, 1933), and GMA Network v. NTC (G.R. No. 196112, 2014). The compiled questionnaire file carries no commercial-law question on due process, rates, transfers, fines, or agency functions for 2016 to 2025, so every drill in this reviewer is drafted from the doctrine and labeled accordingly with no year assigned. The amendatory law is R.A. No. 11659, approved March 21, 2022. The docket correction for ACWS follows the case list where relevant to cited transfer doctrine, and the old sixty-day and one-hundred-eighty-day prescription rules are stated as superseded by the Sec. 28 amendment referring to Act No. 3326.