DIGEST - Manila Prince Hotel Corporation v. GSIS (G.R. No. 122156)

Manila Prince Hotel v. Government Service Insurance System, et al. (February 3, 1997)

Source: Manila Prince Hotel v. Government Service Insurance System, et al. (1997)

Doctrine

The Filipino First Policy in Sec. 10, Art. XII of the 1987 Constitution is self-executing and judicially enforceable. In the grant of rights, privileges, and concessions covering the national economy and patrimony, the State must prefer qualified Filipinos over foreign bidders when the Filipino bidder matches the foreign bid.

Facts

Manila Prince Hotel Corporation sought to acquire 51% of the shares of Manila Hotel Corporation, which owned the historic Manila Hotel. The controversy arose from the government's privatization program, under which the Government Service Insurance System decided to sell through public bidding between 30% and 51% of the issued and outstanding shares of Manila Hotel Corporation. The winning bidder, described as the strategic partner, was expected to provide management expertise, an international marketing and reservation system, and financial support to improve the hotel's profitability and performance.

The bidding was held on September 18, 1995. Only two bidders participated: Manila Prince Hotel Corporation, a Filipino corporation, and Renong Berhad, a Malaysian firm with ITT-Sheraton as hotel operator. Manila Prince Hotel offered to buy the 51% block at P41.58 per share, while Renong Berhad offered P44.00 per share for the same shares. The bidding rules stated that if the highest bidder could not be awarded the block of shares, GSIS could offer the same to other qualified bidders willing to match the highest bid in price per share.

Manila Prince Hotel claimed that it was entitled to preference under the Constitution because the Manila Hotel had become a symbol of Philippine heritage and therefore part of the national patrimony. It stressed that the hotel was a historic landmark, having hosted significant events in Philippine history and having become deeply associated with Filipino identity and culture. It further argued that because the sale involved 51% of the shares of Manila Hotel Corporation, the buyer would effectively control the hotel business itself, which was part of the national economy. For that reason, it insisted that once it matched the foreign bidder's price, it should be awarded the shares.

The government respondents maintained that the constitutional Filipino First Policy was not self-executing and needed implementing legislation. They also argued that Manila Hotel did not fall within the constitutional concept of national patrimony, which they claimed referred only to the more specific natural resources enumerated in the Constitution. In addition, they asserted that the sale involved only shares of stock, not the hotel building or the land on which it stood, and that the petitioner's right to match the foreign bid had not yet arisen because the foreign bidder had not yet been finally disqualified.

Petitioner's Arguments

- Manila Hotel Corporation argued that the Manila Hotel is part of the national patrimony because of its historical, cultural, and symbolic significance. It maintained that the sale of 51% of the shares would transfer control of the hotel and therefore directly affect the national economy and patrimony.
- It also argued that Sec. 10, Art. XII of the Constitution is self-executing. Thus, once it matched the bid of the foreign corporation, GSIS was constitutionally bound to give it preference.
- Manila Prince Hotel further relied on the bidding rules, which allowed qualified bidders to match the highest bid if the highest bidder could not be awarded the shares.

Respondent's Arguments

- GSIS, MHC, the Committee on Privatization, and the OGCC argued that the Filipino First Policy is only a statement of principle and is not enforceable absent implementing legislation. They claimed it has no immediate legal effect by itself.
- They contended that Manila Hotel is not part of the national patrimony in the constitutional sense, because the term refers mainly to natural resources and similar public assets. They also argued that the Constitution was directed to the State, not to GSIS as a separate juridical entity.
- They likewise argued that the sale concerned only shares of stock, not the hotel property itself, and that the petitioner's supposed right to match the foreign bid was premature because the foreign bidder had not yet lost the award.

Case Trail

- GSIS decided to sell 30% to 51% of the shares of MHC through public bidding under the privatization program.
- GSIS received bids from Manila Prince Hotel and Renong Berhad, with Renong submitting the higher price per share.

- Manila Prince Hotel challenged the bidding outcome before the Court, invoking the Filipino First Policy.
- The Court ultimately resolved the controversy by ordering respondents to stop the sale to Renong Berhad and to accept Manila Prince Hotel's matching bid.

Ruling of the Court

W/N Sec. 10, Art. XII of the 1987 Constitution is self-executing and judicially enforceable -> Yes

- The Court held that the Filipino First Policy is not a mere statement of aspiration but a positive constitutional mandate. It may be enforced by the courts even without an implementing statute.
- The Court reasoned that constitutional provisions are presumed self-executing unless the Constitution clearly requires legislation for enforcement. To hold otherwise would allow the legislature to defeat the Constitution by inaction.
- The Court treated the policy as having juridical force of its own, capable of supporting judicial relief when violated. It rejected the respondents' attempt to characterize the provision as merely directory.
- In support of this view, the Court emphasized that the Constitution itself gives preference to qualified Filipinos in transactions involving the national economy and patrimony. That preference is not contingent on further legislative grace.

W/N the Manila Hotel and the 51% controlling shares of MHC are covered by the constitutional protection for national economy and patrimony -> Yes

- The Court ruled that Manila Hotel is part of the nation's patrimony because of its historic and cultural significance. It described the hotel as a living testimonial of Philippine heritage.
- The Court rejected the argument that patrimony refers only to the natural resources listed in the Constitution. It explained that the term is broader and includes cultural and historical assets of great national significance.
- The Court also held that the sale of 51% of the shares was not a meaningless corporate transaction. Because the block represented controlling stock, whoever acquired it would obtain actual control and management of the hotel.
- For that reason, the Court said the shares could not be divorced from the hotel itself and the land on which it stood. The Court refused to accept the formalistic distinction advanced by respondents.

W/N petitioner was entitled to preference after matching the foreign bidder's offer -> Yes

- The Court found that petitioner became entitled to the constitutional preference once it matched Renong Berhad's bid. At that point, the constitutional command required that the Filipino bidder be favored over the foreign bidder.
- It held that the bidding rules could not override the Constitution. Administrative bidding rules must yield to the superior constitutional policy of Filipino preference.
- The Court rejected the respondents' claim that petitioner's action was premature or that it was estopped from invoking the Constitution. It said the right to constitutional preference arose only when the bid was matched and ignored.
- The Court stressed that government cannot treat such a transaction as if it were a purely commercial deal detached from constitutional policy. Public authorities remain bound to respect the Constitution even in privatization.

Dispositive Portion

The Court directed GSIS, MHC, the Committee on Privatization, and the OGCC to cease and desist from selling the 51% block of MHC shares to Renong Berhad. It also ordered them to accept Manila Prince Hotel's matching bid of P44.00 per share and to execute the necessary agreements, documents, and clearances to complete the sale in petitioner's favor.