

SECOND DIVISION

[G.R. NO. 162288, April 04, 2007]

**MACTAN-CEBU INTERNATIONAL AIRPORT AUTHORITY,
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS, AND AIR
TRANSPORTATION OFFICE, PETITIONERS, VS. MILAGROS
URGELLO, RESPONDENT.**

DECISION

CARPIO MORALES, J.:

Respondent, Milagros Urgello, was the owner of Lot No. 913-E of the Banilad Estate in Cebu City, covered by Transfer Certificate of Title No. 10873.^[1] Lot No. 913-E was subdivided into four parcels, Lot No. 913-E-**1**, Lot No. 913-E-**2**, Lot No. 913-E-**3**, and Lot No. 913-E-**4**.^[2]

Sometime in the 1950s, the then Civil Aeronautics Administration (CAA) filed a complaint before the then Court of First Instance of Cebu to expropriate Lot No. 913-E-**3** for the projected expansion of the Lahug Airport.

The case reached the Court of Appeals in which, on joint motion of the parties, a judgment based on a compromise agreement was rendered on July 27, 1964.^[3] In that agreement, the CAA agreed to purchase Lot No. 913-E-**3** for P3,105.00, subject to the resolutive condition that in the event that the Republic of the Philippines would no longer use it as an airport, its title or ownership would revert to respondent or her heirs upon reimbursement of the purchase price of P3,105.00.^[4]

Respondent thus executed a Conditional Deed of Sale incorporating the resolutive condition, which deed was annotated on respondent's TCT No. 10873.^[5]

It appears that on April 27, 1966, the Mactan Airport commenced its operations and the Philippine Airlines stopped using the Lahug Airport. Filipinas Airways and Air Manila ceased too to use the Lahug Airport at the end of 1966 and thereafter used the Mactan Airport. ^[6]

On August 2, 1983, the Bureau of Air Transportation (BAT) by which the CAA was later known, and the Bureau of Equipment of the then Ministry of Public Works and Highways (MPWH), entered into a Memorandum of Agreement whereby the BAT was to lease several parcels of land, including Lot No. 913-E-**3**, to MPWH for 25 years to be used as the site of the latter's Seventh Regional Base Shop Complex.^[7]

The MPWH soon started building fences along the perimeters of Lot No. 913-E-**3**.^[8]

After the dismantling of the hangars and taxiways from the Lahug Airport and putting up of a repair shop of the Bureau of Equipment of the MPWH, the BAT

erected a fence, over the objection of respondent, enclosing portions of her Lot Nos. 913-E-2 and 913-E-4.^[9]

Respondent thus filed on June 5, 1983 before the Regional Trial Court (RTC) of Cebu a Complaint for Injunction with Damages against the BAT and the G.M. Tiongco Construction Company (Tiongco Construction), docketed as Civil Case No. CEB-3908. Tiongco Construction in turn impleaded the MPWH as third-party defendant.^[10]

Subsequently, respondent, by letter of July 8, 1985, requested the BAT for the reconveyance to her of Lot No. 913-E-3 and tendered RPB Demand Draft No. 148284 in the amount of P3,105.00.^[11] The BAT received the draft, but it did not reconvey the lot, prompting respondent to file on August 9, 1985 a Complaint^[12] for Reconveyance with Damages against it before the RTC of Cebu City, docketed as Civil Case No. CEB-4115.

In the meantime or on December 20, 1985, the MPWH filed a Complaint^[13] for Eminent Domain against respondent and four others, docketed as Civil Case No. CEB-4541, for the expropriation of Lot No. 913-E-4, among other lots.

Branch 6 of the Cebu RTC later rendered judgment^[14] in Civil Case No. CEB-4115 (respondent's Complaint for Reconveyance of Lot No. 913-E-3), by Decision of January 3, 1989, holding that the resolutive condition stipulated in the Compromise Agreement forged between the then CAA and respondent "€ basis of the July 27, 1964 judgment of the Court of Appeals "€ had taken place. The dispositive portion of the decision reads:

Wherefore, judgment is rendered, ordering the defendant Bureau of Air Transportation to **reconvey** to the plaintiff Milagros E. Urgello that parcel of land, Lot No. **913-E-3**, subject of the conditional Deed of Sale, after payment [sic] by the latter of the sum of P3,105.00 as repurchase price. The plaintiff's claim for damages as well as the defendant's counterclaims are dismissed. No costs.^[15] (Emphasis and underscoring supplied)

On November 29, 1989, then President Aquino issued a Memorandum^[16] directing the transfer of the general operations of Lahug Airport to the Mactan International Airport before the end of 1990 and the closure of the Lahug Airport thereafter.

On July 31, 1990, Republic Act No. 6958,^[17] the Charter of herein petitioner Mactan-Cebu International Airport Authority (MCIAA), was signed into law.

On **January 21, 1991**, Branch 6 of the RTC Cebu rendered a decision^[18] in Civil Case No. CEB-3908 (respondent's Complaint for Injunction against the BAT and Tiongco Construction questioning the enclosure of portions of her Lot Nos. 913-E-2 and 913-E-4, in which complaint MPWH impleaded Tiongco Construction as a third-party defendant) approving a Compromise Agreement entered into on January 17, 1990 by respondent on one hand, and the Republic of the Philippines, represented by the BAT which later became known as Air Transportation Office (ATO), and the Department of Public Works and Highways (DPWH) and Tiongco Construction on the other. The pertinent provisions of the Compromise Agreement read:

1. DPWH obligates itself to immediately **demolish** at its own expense the concrete wall which it built traversing plaintiff's **Lot [No.] 913-E-2** and Emerald Street in order to provide access to plaintiff's properties.

x x x x

2. Plaintiff hereby agrees to sell and DPWH agrees to **purchase** Lot No. 913-E[-4] . . . covering an area of One Thousand One Hundred Ninety Nine (1,199) square meters of plaintiff's lot, particularly **Lot No. 913-E-4-A**, at the agreed price of Six Hundred Fifty Pesos (P650.00) per square meter or a total of Seven Hundred Seventy Nine Thousand Three Hundred Fifty Pesos (P779,350.00).

x x x x

3. It is understood that DPWH and ATO will comply with the Decision rendered on January 3, 1989 by the Regional Trial Court, Branch VI, Cebu City in Civil Case No. CEB-4115 entitled "Milagros Urgello vs. Republic of the Philippines" for **reconveyance of Lot No. 913-E-3**.
4. In view of the Decision of January 3, 1989, plaintiff agrees to sell and the DPWH agrees to purchase Lot [No.] 913-E-3 consisting of One Thousand Thirty Five (1,035) square meters at the agreed price of Six Hundred Fifty Pesos (P650.00) per square meter or for the total amount of Six Hundred Seventy Two Thousand Seven Hundred Fifty Pesos (P672,750.00).
5. To avert future litigations, the parties hereby waive all their respective demands, claims, counterclaims, and third-party claims against one another with respect to the matters treated in this Agreement.
6. The DPWH hereby agrees to withdraw its complaint for eminent domain [covering Lot No. 913-E-4, among other lots] filed against plaintiff in Civil Case No. 4541 before the Regional Trial Court, Branch XVII, Cebu City entitled "Republic of the Philippines vs. Milagros Urgello, et. al." Public defendant likewise agrees to withdraw the appeal it had filed in Civil Case No. 4115 entitled "Milagros Urgello vs. Republic of the Philippines" (BAT, now ATO) [for reconveyance of Lot No. 913-E-3].^[19] (Emphasis and underscoring supplied)

On March 11, 1991, the Republic of the Philippines filed a Manifestation^[20] in Civil Case No. CEB-4541 (the eminent domain case filed by the then MPWH covering, among other lots, Lot No. 913-E-4) signifying its conformity to the January 17, 1990 Compromise Agreement.

Respondent, relying on the Manifestation in open court of Atty. Agustino Hermoso of the DPWH Regional Office about the availability of funds already appropriated for her properties, demanded the payment for Lot Nos. 913-E-3 and 913-E-4, and the demolition of the concrete wall around Lot No. 913-E-2, as agreed upon in the

January 17, 1990 Compromise Agreement.^[21] The DPWH ignored respondent's demands, however, prompting her to file on June 18, 1993 in her complaint for Injunction (Civil Case No. CEB-3908) **a Motion for the Issuance of Writ of Execution** against the DPWH to enforce its obligation under the said Compromise Agreement.^[22] The motion was granted and a Writ of Execution^[23] was issued on July 28, 1993 and served upon the DPWH, but it was unenforced per Sheriff's Return of Service^[24] dated November 17, 1993.

The DPWH having failed to comply with its undertakings under the January 17, 1990 Compromise Agreement which was approved on **January 21, 1991** in Civil Case No. CEB-3908 (respondent's Complaint for Injunction), respondent filed on **October 15, 1996** before the Cebu RTC a Complaint^[25] for Reconveyance^[26] with damages and attorney's fees against

herein petitioners DPWH and ATO,^[27] docketed as CEB-19418, **the subject of the present petition**, praying that judgment be rendered

1. Ordering defendants jointly and severally to immediately reconvey to plaintiff Milagros A. Urgello:
 - a. Lot No. 913-E-4-A without any condition;
 - b. Lot No. 913-E-3 upon plaintiff's payment [sic] to the defendants of the sum of P3,105.00 as repurchase price;
2. Directing defendant DPWH to immediately demolish at its own expense the concrete wall which it built traversing plaintiff's Lot No. 913-E-2 and Emerald Street, Lahug, Cebu City, which has obstructed plaintiff's access to her other properties;
3. Enjoining defendants to solidarily pay plaintiff reasonable rent for their unlawful occupation of Lot No. 913-E-3 since 1950 and of Lot No. 913-E-4-A since 1990 which deprived plaintiff of any beneficial enjoyment thereof;
4. **Alternatively**, requiring defendants to solidarily and immediately pay plaintiff the amount of P1,452,100.00 (plus interest computed at 12% per annum from 1990) by way of just compensation for Lot Nos. 913-E-3 and 913-E-4-A pursuant to the judgment based on the Compromise Agreement;
5. Commanding defendants to solidarily **pay** plaintiff:
 - c. Moral damages of P1,000,000.00;
 - d. Actual damages of P 100,000.00;
 - e. Attorney's fees of P 300,000.00;
6. Affording plaintiffs such other reliefs just and equitable in the premises.^[28]
(Emphasis and underscoring supplied)

In its Answer,^[29] petitioner DPWH questioned respondent's failure to exhaust administrative remedies and to serve upon the Office of the Solicitor General a copy

of the complaint, and the jurisdiction of the trial court.

As for petitioner ATO, it posited in its Answer^[30] that only the DPWH should be held liable for non-compliance with the Compromise Agreement dated January 17, 1990 — basis of the January 21, 1991 RTC Decision in respondent's Complaint for Injunction, claiming that:

. . . [T]his Compromise Agreement dated January 17, 1990 is, as cited by plaintiff[-herein respondent] in paragraph 20 of her complaint, the one [which was] entered into by and between her and defendants DPWH and ATO in Civil Cases Nos. 3908 (RTC Br. VI), 4115 (RTC Br. VI) and 4541 (RTC Br. VII) involving Lot Nos. 913-E-2, 913-E-3, and 913-E-4-A, and whatever is the reason behind co-defendant DPWH's neglect or failure to undertake what it assumed as its sole obligation under this Compromise Agreement, which is all that has given rise to the present suit, defendant ATO is not privy to it, has no knowledge about it and should not be made to answer for it;

. . . [T]he obligation of defendant ATO under the Compromise Agreement dated 17 January 1990, above cited, ceased when, in that same document, . . . co-defendant [DPWH] assumed as its sole obligation the following: 1) to demolish at its own expense a concrete wall which it built traversing plaintiff's Lot No. 913-[E]-2 and Emerald Street to provide access to plaintiff's properties; and 2) to unconditionally pay plaintiff for the lots sold by plaintiff to the former, to wit: P779, 350.00 as payment for Lot No. 913-E-4-A (1,199 sq. m.); and P672,750.00 — as payment for Lot No. 913-E-3 (1035 sq. m.);

x x x x

. . . [F]or plaintiff[-herein respondent] to pursue her old cases against defendant after the parties in those cases covered by the Court-approved Compromise Agreement dated January 17, 1990 are supposed to have already waived all their respective demands, claims, counterclaims and third-party claims is for her to drag all the defendants there into an absurdity: the revival of those demands, claims, counterclaims and third-party claims so needless when all plaintiff needs to do is focus her attention on the one party defendant which reneged on what it assumed as its sole obligation under the same compromise agreement.^[31] (Emphasis and underscoring supplied)

In support of its claim, the ATO argued that:

. . . ATO Mactan, as now established and constituted, is one of the nine (9) airport cluster centers or area offices of defendant Air Transportation Office created and established pursuant to DOTC Department Order No. 92-569 dated January 21, 1992, and was actually established only sometime January 1993, some two years, more or less, after the Mactan-Cebu International Airport Authority (MCIAA) was formally and officially constituted on December 18, 1990 pursuant to Republic Act No. 6958 (the MCIAA charter);