382 Phil. 510

THIRD DIVISION

[G.R. No. 133909, February 15, 2000]

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION, PETITIONER, VS. MARS CONSTRUCTION ENTERPRISES, INC., RESPONDENT.

D E C I S I O N

PANGANIBAN, J.:

Unilateral rescission of a contract is subject to judicial determination. Contractual stipulations should be interpreted together. Ambiguous ones should be construed to conform to the sense that would result when all the provisions are comprehended jointly. Moreover, doubts should be settled in favor of the greatest reciprocity of interests.

The Case

Before the Court is a Petition for Review under Rule 45 of the Rules of Court, seeking the reversal of the May 20, 1998 Decision of the Court of Appeals[1] (CA) in CA-GR CV No. 45009, which affirmed the Regional Trial Court (RTC) of Pasig City (Branch 154). The assailed Decision disposed as follows:[2]

> "WHEREFORE, [there being] no error in the appealed decision, the same is AFFIRMED *in toto*."

The Facts

In its assailed Decision, the Court of Appeals relates the facts of this case as follows: [3]

> "On July 2, 1982, [Mars Construction Enterprises, Inc., respondent herein] entered into a subcontract/Agreement with x x x Construction & Development Corporation of the Philippines (CDCP) [petitioner herein], later reorganized into the present Philippine National Construction Corporation (PNCC), for the supply of 'approximately seventy thousand (70,000) cubic meters of aggregates consisting of:
>
> 1. washed sand,
> 2. washed 3/4" gravel,
> 3. washed 1-1/2" gravel
> 4. sub-base'.
>
> "On August 7, 1982, [respondent] and CDCP executed Amendment No. 1 increasing the amount of the third party liability coverage from P50,000.00 to P100,000.00. On November 5, 1982, [respondent] and CDCP executed Amendment No. 2 amending the scope of services, as

follows:

> '1. Art. I is hereby amended to read:
>
> '*ARTICLE I – SCOPE OF SERVICES*
>
> 'The FIRST PARTY [respondent] shall supply approximately SEVENTY THOUSAND (70,000) cubic meters of concrete aggregates consisting of the following:
>
> 1. [W]ashed sand app. 17,500 cu. m.
> 2. Washed 3/4" gravel app. 17,500 cu. m.
> 3. Washed 1 1/2" gravel app. 35,000 cu. m.
> 4. Sub-base 2" minus crusher run
>
> xxx xxx xxx.'
>
> (Exhibit 'C-1', Folder of Exhibits)

"Amendment No. 2 also altered Article IV (5.0) of the original Agreement which provided that '(t)he first party guarantees to commence delivery within forty five (45) days after signing of the contract and continue delivery until the quantities enumerated x x x [shall] have been delivered to the jobsite stockpile' to read as follows:

> *'ARTICLE V – DELIVERY*
>
> 'The FIRST PARTY [respondent] shall deliver a minimum of SIX THOUSAND (6,000) cubic meters of combined concrete aggregate per month *until the entire requirements of the SECOND PARTY [petitioner] to complete the Philphos Project shall have been satisfied*.' (Italics supplied.)

"Actual delivery of aggregates started only in March of 1983, or a delay of eight (8) months of the 45 days stipulated in the Agreement (Agreement, Article IV (5.0); TSN, September 6, 1985, pp. 9-10). There were also non-deliveries between the period June 1983 to January 1984 (TSN, *supra*). Thus [petitioner] was constrained to obtain the necessary materials from other sources, incurring additional costs representing the difference between the agreed price of P140.00 per cubic meter under the Agreement and the pricing of the outside sources. The difference in cost was reimbursed by [respondent] in accordance with the default clause under the Agreement that 'the Second Party [petitioner] can procure from any other quarry operator x x x (and) should such procurement cost the Second Party more than the agreed price above, the excess [would] be for the account of the First Party x x x' (Article VII, no. 7). A total of P1.578 M was thusly paid by [respondent] (TSN, September 5, 1985, p. 12).

"The controversy arose when [petitioner] refused to accept [respondent's] delivery of 17,000.00 cubic meters of washed 1-1/2" gravel, saying that it had no more need for the same. For this,

> [respondent] claimed the amount of P680,000.00 representing *lucrum cessans* or unrealized profit with interest at bank rate until fully paid, exemplary damages and attorney's fees. [Respondent] also demanded payment of P118,518.68 (Memorandum for Plaintiff, Record, p. 245) covered by a check tendered by [petitioner] (Exhibit '15') based on a balance on the purchase of 39,200.62 cubic meters of base course amounting to P130,000.00 after deducting half of the overpayment of P23,256.80 made by [respondent] (TSN, April 22, 1986, p. 22).
>
> "[Petitioner] denied that it breached the contract and counter-claimed for the amount of P85,120 as price differential of the procurement cost over the agreed price, plus reimbursement of overpayment of P23,256.80 it had made arising from error in measurement. (Answer, Counterclaim).
>
> "The lower court rendered judgment, as follows:
>
> > 'Wherefore, the foregoing considered, judgment is hereby rendered in favor of plaintiff and against the defendant ordering the defendant to pay plaintiff: a.) the amount of P680,000.00 as *lucrum cessans*; b.) the amount of P33,387.91 for the outstanding obligation of PNCC in favor of plaintiff (118,518.68 less price differential of P85,120.77); c.) attorney's fees x x x reduced to the reasonable amount of P50,000.00; and as the costs of litigation.'"

Ruling of the Court of Appeals

The CA ruled that the Contract and its amendments impelled petitioner to accept delivery of the washed 1.5-inch gravel from the respondent. The figures in the "Scope of Services" provision were interpreted to mean the minimum quantities to be delivered to the petitioner. The petitioner received a total of 8,162.43 cubic meters of washed 1.5-inch gravel from the respondent and 9,978.06 cubic meters from other sources. Hence, the petitioner actually utilized only 18,140.49 cubic meters of aggregates of this specification, which was only about half of the stipulated 35,000 cubic meters. Clearly, it breached the Contract when it refused to accept delivery of the 17,000 cubic meters of washed 1.5-inch gravel from the respondent.

Because of this breach, the respondent was entitled to *lucrum cessans*, computed by deducting the production cost from the agreed cost per cubic meter of aggregates

The outstanding obligation of the petitioner to the respondent was the difference between the subcontractor's quitclaim minus the penalty charges for outsourcing aggregates, which respondent incurred for its failure to deliver. The amount was based on the Quitclaim presented by petitioner and the undisputed Backcharge Invoice No. 354 presented by respondent.

The CA denied the petitioner's prayer for damages arising from the delays in delivery, because respondent had already compensated or paid for such delays. The appellate court rejected petitioner's contention that the respondent committed bad faith by entering into a contract that it was financially incapable of fulfilling, inasmuch as this issue had not been raised before the trial court.

Hence, this Petition.[4]

Issues

In its Memorandum, the petitioner submits the following "issues" for the Court's consideration:[5]

> "i. The honorable Court of Appeals x x x decided that PNCC was compelled to accept the delivery of the 17,000 cubic meters of washed 1-1/2" gravel which is not in accord with law and jurisprudence
>
> "ii. The honorable Court of Appeals x x x decided to award the amount of P680,000.00 as lucrum cessans which is not in accord with law and jurisprudence."

The Court's Ruling

The Petition has no merit.

First Issue:
Obligation to Accept Delivery

Petitioner contends that it was not under any obligation to accept 17,000 cubic meters of washed 1.5-inch gravel, because the delivery was made after the actual aggregate requirement of the project had already been fully satisfied, and after respondent had defaulted on its contractual undertakings.

Interpreting the Contract

Petitioner adds that the respondent had already delivered aggregates, the combined volume of which was about 45 percent over and above that required in Article I, Amendment 2 of the Contract. Hence, the petitioner refused to accept the "excess" delivery in issue.

This contention is incorrect. The various stipulations in a contract should be interpreted together. Ambiguous ones should be so construed as to conform to the sense that would result if all the provisions are comprehended jointly.[6] The "Scope of Services" provision in Amendment 2 stipulated the delivery of 70,000 cubic meters of concrete aggregates consisting of approximately 17,500 cubic meters of washed sand, approximately 17,500 cubic meters of washed .75-inch gravel, 35,000 cubic meters of washed 1.5-inch gravel, and "sub-base 2" minus crusher run. Clearly, *at least* 35,000 of the 70,000 cubic meters of concrete aggregates that the respondent was supposed to deliver to the petitioner should be washed 1.5-inch gravel. The trial court correctly explained:

> "x x x Initially, [respondent's] scope of services [was] to supply 70,000 cu. m. of concrete aggregates consisting of washed sand, washed 3/4"gravel, washed 1-1/2" gravel and sub-base (Art. 1 of the Agreement). This was amended per Amendment No. 2 (Exhibit C) to 70,000 cu. m. of concrete aggregates consisting of washed sand approximately 17,500 cu. m., washed 3/4" gravel approximately 17,500