

## THIRD DIVISION

[ G.R. No. 158401, January 28, 2008 ]

**PHILIPPINE PORTS AUTHORITY, Petitioner, vs. WILLIAM  
GOTHONG & ABOITIZ (WG&A), INC., Respondent.**

### D E C I S I O N

**AUSTRIA-MARTINEZ, J.:**

This resolves the Petition for Review on *Certiorari* filed by the Philippine Ports Authority (petitioner) seeking the reversal of the Decision<sup>[1]</sup> of the Court of Appeals (CA) promulgated on October 24, 2002 and its Resolution dated May 15, 2003.

The antecedent facts are accurately narrated by the CA as follows:

Petitioner William Gothong & Aboitiz, Inc. (WG&A for brevity), is a duly organized domestic corporation engaged in the shipping industry. Respondent Philippine Ports Authority (PPA for brevity), upon the other hand, is a government-owned and controlled company created and existing by virtue of the provisions of P.D. No. 87 and mandated under its charter to operate and administer the country's sea port and port facilities.

After the expiration of the lease contract of Veterans Shipping Corporation over the Marine Slip Way in the North Harbor on December 31, 2000, petitioner WG&A requested respondent PPA for it to be allowed to lease and operate the said facility. Thereafter, then President Estrada issued a memorandum dated December 18, 2000 addressed to the Secretary of the Department of Transportation and Communication (DOTC) and the General Manager of PPA, stating to the effect that in its meeting held on December 13, 2000, the Economic Coordinating Council (ECC) has approved the request of petitioner WG&A to lease the Marine Slip Way from January 1 to June 30, 2001 or until such time that respondent PPA turns over its operations to the winning bidder for the North Harbor Modernization Project.

Pursuant to the said Memorandum, a Contract of Lease was prepared by respondent PPA containing the following terms:

1. The lease of the area shall take effect on January 1 to June 30, 2001 or until such time that PPA turns over its operation to the winning bidder for the North Harbor modernization;
2. You shall pay a monthly rental rate of P12.15 per square meter or an aggregate monthly rental amount of P886,950.00;

3. All structures/improvements introduced in the leased premises shall be turned over to PPA;
4. Water, electricity, telephone and other utility expenses shall be for the account of William, Gothong & Aboitiz, Inc.;
5. Real Estate tax/insurance and other government dues and charges shall be borne by WG&A.

The said contract was eventually conformed to and signed by the petitioner company, through its President/Chief Executive Officer Endika Aboitiz, Jr. Thereafter, in accordance with the stipulations made in the lease agreement, PPA surrendered possession of the Marine Slip Way in favor of the petitioner.

However, believing that the said lease already expired on June 30, 2001, respondent PPA subsequently sent a letter to petitioner WG&A dated November 12, 2001 directing the latter to vacate the contested premises not later than November 30, 2001 and to turnover the improvements made therein pursuant to the terms and conditions agreed upon in the contract.

In response, petitioner WG&A wrote PPA on November 27, 2001 urging the latter to reconsider its decision to eject the former. Said request was denied by the PPA via a letter dated November 29, 2001.

On November 28, 2001, petitioner WG&A commenced an Injunction suit before the Regional Trial Court of Manila. Petitioner claims that the PPA unjustly, illegally and prematurely terminated the lease contract. It likewise prayed for the issuance of a temporary restraining order to arrest the evacuation. In its complaint, petitioner also sought recovery of damages for breach of contract and attorney's fees.

On December 11, 2001, petitioner WG&A amended its complaint for the first time. The complaint was still denominated as one for Injunction with prayer for TRO. In the said amended pleading, the petitioner incorporated statements to the effect that PPA is already estopped from denying that the correct period of lease is "until such time that the North Harbor Modernization Project has been bidden out to and operations turned over to the winning bidder. It likewise included, as its third cause of action, the additional relief in its prayer, that should the petitioner be forced to vacate the said facility, it should be deemed as entitled to be refunded of the value of the improvements it introduced in the leased property.

Following the first amendment in the petitioner's complaint, respondent PPA submitted its answer on January 23, 2002. Meanwhile, the TRO sought by the former was denied by the trial court by way of an order dated January 16, 2002.

Petitioner later moved for the reconsideration of the said Order on February 11, 2002. Shortly thereafter, petitioner filed a Motion to Admit Attached Second Amended Complaint. This time, however, the complaint