

EN BANC

[G.R. No. 103882, November 25, 1998]

**REPUBLIC OF THE PHILIPPINES, PETITIONER, VS. THE
HONORABLE COURT OF APPEALS AND REPUBLIC REAL ESTATE
CORPORATION, RESPONDENTS. CULTURAL CENTER OF THE
PHILIPPINES, INTERVENOR.**

[G.R. NO. 105276. NOVEMBER 25, 1998]

**PASAY CITY AND REPUBLIC REAL ESTATE CORPORATION,
PETITIONERS, VS. COURT OF APPEALS AND REPUBLIC OF THE
PHILIPPINES, RESPONDENTS.**

DECISION

PURISIMA, J.:

At bar are two consolidated petitions for review on certiorari under Rule 45 of the Revised Rules of Court. Here, the Court is confronted with a case commenced before the then Court of First Instance (*now Regional Trial Court*) of Rizal in Pasay City, in 1961, more than 3 decades back, that has spanned six administrations of the Republic and outlasted the tenure of ten (10) Chief Justices of the Supreme Court.

In G.R. No. 103882, the Republic of the Philippines, as petitioner, assails the Decision, dated January 29, 1992 and Amended Decision, dated April 28, 1992, of the Court of Appeals^[1], which affirmed with modification the Decision of the former Court of First Instance of Rizal (Branch 7, Pasay City) in Civil Case No. 2229-P, entitled "*Republic of the Philippines versus Pasay City and Republic Real Estate Corporation.*"

The facts that matter are, as follows:

Republic Act No. 1899 ("RA 1899"), which was approved on June 22, 1957, authorized the reclamation of foreshore lands by chartered cities and municipalities. Section I of said law, reads:

"SECTION 1. Authority is hereby granted to all municipalities and chartered cities to undertake and carry out at their own expense the reclamation by dredging, filling, or other means, of any foreshore lands bordering them, and to establish, provide, construct, maintain and repair proper and adequate docking and harbor facilities as such municipalities and chartered cities may determine in consultation with the Secretary of Finance and the Secretary of Public Works and Communications."

On May 6, 1958, invoking the aforecited provision of RA 1899, the Pasay City Council passed Ordinance No. 121, for the reclamation of Three Hundred (300) hectares of foreshore lands in Pasay City, empowering the City Mayor to award and

enter into reclamation contracts, and prescribing terms and conditions therefor. The said Ordinance was amended on April 21, 1959 by Ordinance No. 158, which authorized the Republic Real Estate Corporation ("RREC") to reclaim foreshore lands of Pasay City under certain terms and conditions.

On April 24, 1959, Pasay City and RREC entered into an Agreement^[2] for the reclamation of the foreshore lands in Pasay City.

On December 19, 1961, the Republic of the Philippines ("Republic") filed a Complaint^[3] for Recovery of Possession and Damages with Writ of Preliminary Preventive Injunction and Mandatory Injunction, docketed as Civil Case No. 2229-P before the former Court of First Instance of Rizal, (*Branch 7, Pasay City*).

On March 5, 1962, the Republic of the Philippines filed an Amended Complaint^[4] questioning subject Agreement between Pasay City and RREC (Exhibit "P") on the grounds that the subject-matter of such Agreement is outside the commerce of man, that its terms and conditions are violative of RA 1899, and that the said Agreement was executed without any public bidding.

The Answers^[5] of RREC and Pasay City, dated March 10 and March 14, 1962, respectively, averred that the subject-matter of said Agreement is within the commerce of man, that the phrase "foreshore lands" within the contemplation of RA 1899 has a broader meaning than the cited definition of the term in the Words and Phrases and in the Webster's Third New International Dictionary and the plans and specifications of the reclamation involved were approved by the authorities concerned.

On April 26, 1962, Judge Angel H. Mojica, (now deceased) of the former Court of First Instance of Rizal (*Branch 7, Pasay City*) issued an Order^[6] the dispositive portion of which was to the following effect:

"WHEREFORE, the court hereby orders the defendants, their agents, and all persons claiming under them, to refrain from further reclaiming or committing acts of dispossession or dispoilation over any area within the Manila Bay or the Manila Bay Beach Resort", until further orders of the court."

On the following day, the same trial court issued a writ of preliminary injunction^[7] which enjoined the defendants, RREC and Pasay City, their agents, and all persons claiming under them "from further reclaiming or committing acts of dispossession".

Thereafter, a Motion to Intervene^[8], dated June 27, 1962, was filed by Jose L. Bautista, Emiliano Custodio, Renato Custodio, Roger de la Rosa, Belen Gonzales, Norma Martinez, Emilia E. Paez, Ambrosio R. Parreno, Antolin M. Oreta, Sixto L. Orosa, Pablo S. Sarmiento, Jesus Yujuico, Zamora Enterprises, Inc., Industrial and Commercial Factors, Inc., Metropolitan Distributors of the Philippines, and Bayview Hotel, Inc. stating *inter alia* that they were buyers of lots in the Manila Bay area being reclaimed by RREC, whose rights would be affected by whatever decision to be rendered in the case. The Motion was granted by the trial court and the Answer attached thereto admitted.^[9]

The defendants and the intervenors then moved to dismiss^[10] the Complaint of the Republic, placing reliance on Section 3 of Republic Act No. 5187, which reads:

"Sec. 3. Miscellaneous Projects

x x x

m. For the construction of seawall and limited access highway from the south boundary of the City of Manila to Cavite City, to the south, and from the north boundary of the City of Manila to the municipality of Mariveles, province of Bataan, to the north, including the reclamation of the foreshore and submerged areas: Provided, That priority in the construction of such seawalls, highway and attendant reclamation works shall be given to any corporation and/or corporations that may offer to undertake at its own expense such projects, in which case the President of the Philippines may, after competitive bidding, award contracts for the construction of such projects, with the winning bidder shouldering all costs thereof, the same to be paid in terms of percentage fee of the contractor which shall not exceed fifty percent of the area reclaimed by the contractor and shall represent full compensation for the purpose, the provisions of the Public Land Law concerning disposition of reclaimed and foreshore lands to the contrary notwithstanding: Provided, finally, that the foregoing provisions and those of other laws, executive orders, rules and regulations to the contrary notwithstanding, existing rights, projects and/or contracts of city or municipal governments for the reclamation of foreshore and submerged lands shall be respected. x x x." (underscoring ours)

Since the aforecited law provides that existing contracts shall be respected, movants contended that the issues raised by the pleadings have become "moot, academic and of no further validity or effect."

Meanwhile, the Pasay Law and Conscience Union, Inc. ("PLCU") moved to intervene^[11], alleging as legal interest in the matter in litigation the avowed purpose of the organization for the promotion of good government in Pasay City. In its Order of June 10, 1969, the lower court of origin allowed the said intervention^[12].

On March 24, 1972, the trial court of origin came out with a Decision, disposing, thus:

"WHEREFORE, after carefully considering (1) the original complaint, (2) the first Amended Complaint, (3) the Answer of Defendant Republic Real Estate Corporation to the first Amended Complaint, (4) the Answer of Defendant Pasay City to the first Amended Complaint, (5) the Second Amended Complaint, (6) the Answer of Defendant Republic Real Estate Corporation to the Second Amended Complaint, (7) the Answer of Defendant Pasay City to the Second Amended Complaint, (8) the Memorandum in Support of Preliminary Injunction of Plaintiff, (9) the Memorandum In Support of the Opposition to the Issuance of Preliminary Injunction of Defendant Pasay City and Defendant Republic Real Estate Corporation, (10) the Answer in Intervention of Intervenors Bautista, et.

al., (11) Plaintiff's Opposition to Motion to Intervene, (12) the Reply to Opposition to Motion to Intervene of Intervenor Bautista, et. al. , (13) the Stipulation of Facts by all the parties, (14) the Motion for Leave to Intervene of Intervenor Pasay Law and Conscience Union, Inc., (15) the Opposition to Motion For Leave to Intervene of Intervenor Bautista, et. al., (16) the Reply of Intervenor Pasay Law and Conscience Union, Inc., (17) the Supplement to Opposition to Motion to Intervene of Defendant Pasay City and Republic Real Estate Corporation, (18) the Complaint in Intervention of Intervenor Pasay Law and Conscience Union, Inc., (19) the Answer of Defendant Republic Real Estate Corporation, (20) the Answer of Intervenor Jose L. Bautista, et. al., to Complaint in Intervention, (21) the Motion to Dismiss of Defendant Republic Real Estate Corporation, and Intervenor Bautista, et. al., (22) the Opposition of Plaintiff to said Motion to Dismiss, (23) the Opposition of Intervenor Pasay Law and Conscience Union, Inc., (24) the Memorandum of the Defendant Republic Real Estate Corporation, (25) the Memorandum for the Intervenor Pasay Law and Conscience Union, Inc., (26) the Manifestation of Plaintiff filed by the Office of the Solicitor General, and all the documentary evidence by the parties to wit: (a) Plaintiff's Exhibits "A" to "YYY-4", (b) Defendant Republic Real Estate Corporation's Exhibits "1-RREC" to "40-a" and (c) Intervenor Pasay Law and Conscience Union, Inc's., Exhibits "A-PLACU" to "C-PLACU", the Court hereby:

(1) Denies the "Motion to Dismiss" filed on January 10, 1968, by Defendant Republic Real Estate Corporation and Intervenor Bautista, et. al., as it is the finding of this Court that Republic Act No. 5187 was not passed by Congress to cure any defect in the ordinance and agreement in question and that the passage of said Republic Act No. 5187 did not make the legal issues raised in the pleadings "moot, academic and of no further validity or effect; - and

(2) Renders judgment:

(a) dismissing the Plaintiff's Complaint;

(b) Dismissing the Complaint in Intervention of Intervenor Pasay Law and Conscience Union, Inc.,

(c)Enjoining Defendant Republic Real Estate Corporation and Defendant Pasay City to have all the plans and specifications in the reclamation approved by the Director of Public Works and to have all the contracts and sub-contracts for said reclamation awarded by means of, and only after, public bidding; and

(d) Lifting the preliminary Injunction issued by the Court on April 26, 1962, as soon as Defendant Republic Real Estate Corporation and Defendant Pasay City shall have submitted the corresponding plans and specifications to the Director of Public Works, and shall have obtained approval thereof, and as soon as the corresponding public bidding for the award to the contractor and sub-contractor that will undertake the reclamation project shall have been effected.

No pronouncement as to costs.

SO ORDERED." (See Court of Appeals' Decision dated January 28, 1992; pp. 6-8)

Dissatisfied with the said judgment, the Republic appealed therefrom to the Court of Appeals. However, on January 11, 1973, before the appeal could be resolved, Presidential Decree No. 3-A issued, amending Presidential Decree No. 3, thus:

"SECTION 1. Section 7 of Presidential Decree No. 3, dated September 26, 1972, is hereby amended by the addition of the following paragraphs:

The provisions of any law to the contrary notwithstanding, the reclamation of areas under water, whether foreshore or inland, shall be limited to the National Government or any person authorized by it under a proper contract.

All reclamations made in violation of this provision shall be forfeited to the State without need of judicial action.

Contracts for reclamation still legally existing or whose validity has been accepted by the National Government shall be taken over by the National Government on the basis of quantum meruit, for proper prosecution of the project involved by administration."

On November 20, 1973, the Republic and the Construction Development Corporation of the Philippines ("CDCP") signed a Contract^[13] for the Manila-Cavite Coastal Road Project (Phases I and II) which contract included the reclamation and development of areas covered by the Agreement between Pasay City and RREC. Then, there was issued Presidential Decree No. 1085 which transferred to the Public Estate Authority ("PEA") the rights and obligations of the Republic of the Philippines under the contract between the Republic and CDCP.

Attempts to settle amicably the dispute between representatives of the Republic, on the one hand, and those of Pasay City and RREC, on the other, did not work out. The parties involved failed to hammer out a compromise.

On January 28, 1992, the Court of Appeals came out with a Decision^[14] dismissing the appeal of the Republic and holding, thus:

"WHEREFORE, the decision appealed from is hereby AFFIRMED with the following modifications:

1. The requirement by the trial court on public bidding and the submission of RREC's plans and specification to the Department of Public Works and Highways in order that RREC may continue the implementation of the reclamation work is deleted for being moot and academic;

2. Ordering the plaintiff-appellant to turn over to Pasay City the ownership and possession over all vacant spaces in the twenty-one hectare area already reclaimed by Pasay City and RREC at the time it took over the same. Areas thereat over which permanent structures has