

FIRST DIVISION

[G.R. No. 103533, December 15, 1998]

**MANILA JOCKEY CLUB, INC. AND PHILIPPINE RACING CLUB ,
INC., PETITIONERS, VS. THE COURT OF APPEALS AND
PHILIPPINE RACING COMMISSION, RESPONDENTS.**

D E C I S I O N

QUISUMBING, J.:

This is a Petition for Review on Certiorari seeking the reversal of the decision^[1] of the Court of Appeals in CA-G.R. SP No. 25251 dated September 17, 1991 and the resolution^[2] dated January 8, 1992, which denied the motion for reconsideration. At issue here is the control and disposition of "breakages"^[3] in connection with the conduct of horse-racing.

The pertinent facts on record are as follows:

On June 18, 1948, Congress approved Republic Act No. 309, entitled "An Act to Regulate Horse-Racing in the Philippines." This Act consolidated all existing laws and amended inconsistent provisions relative to horse racing. It provided for the distribution of gross receipts from the sale of betting tickets, but is silent on the allocation of so-called "breakages." Thus the practice, according to the petitioners, was to use the "breakages" for the anti-bookies drive and other sales promotions activities of the horse racing clubs.

On October 23, 1992, petitioners, Manila Jockey Club, Inc. (MJCI) and Philippine Racing Club, Inc. (PRCI), were granted franchises to operate and maintain race tracks for horse racing in the City of Manila and the Province of Rizal by virtue of Republic Act Nos. 6631 and 6632, respectively, and allowed to hold horse races, with bets, on the following dates:

"x x x Saturdays, Sundays and official holidays of the year, excluding Thursdays and Fridays of the Holy Week, June twelfth, commonly known as Independence Day, Election Day and December thirtieth, commonly known as Rizal Day."

(Sec. 5 of R.A. 6631)

"x x x Saturdays, Sundays, and official holidays of the year, except on those official holidays where the law expressly provides that no horse races are to be held. The grantee may also conduct races on the eve of any public holiday to start not earlier than five-thirty (5:30) o'clock in the afternoon but not to exceed five days a year."

(Sec. 7 of R.A. 6632)

Said laws carried provisions on the allocation of “breakages” to beneficiaries as follows:

	Franchise Laws	
	R. A. 6631 ^[4] (for MJCI)	R. A. 6632 ^[5] (for PRCI)
Provincial or city hospitals	25%	
Rehabilitation of drug addicts	25%	50%
For the benefit of Philippine Amateur Athletes Federation	50%	25%
Charitable institutions		25%

On March 20, 1974, Presidential Decree No. 420 was issued creating the Philippine Racing Commission (PHILRACOM), giving it exclusive jurisdiction and control over every aspect of the conduct of horse racing, including the framing and **scheduling of races.**^[6] By virtue of this power, the PHILRACOM authorized the holding of races on Wednesdays starting on December 22, 1976.^[7]

In connection with the new schedule of races, petitioners made a joint query regarding the ownership of breakages accumulated during Wednesday races. In response to the query, PHILRACOM rendered its opinion in a letter dated September 20, 1978. It declared that the breakages belonged to the racing clubs concerned, to wit:

"We find no further need to dissect the provisions of P.D. 420 to come to a legal conclusion. As can be clearly seen from the foregoing discussion and based on the established precedents, there can be no doubt that the breakage of Wednesday races shall belong to the racing club concerned."
^[8]

Consequently, the petitioners allocated the proceeds of breakages for their own business purpose.

Thereafter, PHILRACOM authorized the holding of races on Thursdays from November 15, 1984 to December 31, 1984, and on Tuesdays since January 15, 1985 up to the present. These mid-week races are in addition to those days specifically mentioned in R.A. 6631 and R.A. 6632. Likewise, petitioners allocated the breakages from these races for their own uses.

On December 16, 1986 President Corazon Aquino amended certain provisions Sec. 4 of R.A. 6631 and Sec. 6 of R.A. 6632 through Executive Orders No. 88 and 89. Under these Executive Orders, breakages were allocated to beneficiaries, as follows:

	Franchise Laws	
	R. A. 6631 ^[9]	R. A. 6632 ^[10]

	(for MJCI)	(for PRCI)
Provincial or city hospitals	25%	
Rehabilitation of drug addicts	25%	50%
For the benefit of Philippine Amateur Athletes Federation	50%	25%
Charitable institutions		25%

On April 23, 1987, PHILRACOM itself addressed a query to the Office of the President asking which agency is entitled to dispose of the proceeds of the "breakages" derived from the Tuesday and Wednesday races.

In a letter dated May 21, 1987, the Office of the President, through then Deputy Executive Secretary Catalino Macaraig, Jr., replied that "the disposition of the breakages rightfully belongs to PHILRACOM, not only those derived from the Saturday, Sunday and holiday races, but also from the Tuesday and Wednesday races in accordance with the distribution scheme prescribed in said Executive Orders".^[11]

Controversy arose when herein respondent PHILRACOM, sent a series of demand letters to petitioners MJCI and PRCI, requesting its share in the "breakages" of **mid-week-races** and proof of remittances to other legal beneficiaries as provided under the franchise laws. On June 8, 1987, PHILRACOM sent a letter of demand to petitioners MJCI and PRCI asking them to remit PHILRACOM's share in the "breakages" derived from the Tuesday, Wednesday and Thursday races in this wise:

"x x x x x x x x x

"Pursuant to Board Resolution dated December 21, 1986, and Executive Order Nos. 88 and 89 series of 1986, and the authority given by the Office of the President dated May 21, 1987, please remit to the Commission the following:

- 1) PHILRACOM's share in the breakages derived from Wednesday racing for the period starting December 22, 1976 up to the December 31, 1986.
- 2) PHILRACOM's share in the breakages derived from Thursday racing for the period starting November 15, 1984 up to December 31, 1984; and
- 3) PHILRACOM'S share in the breakages derived from Tuesday racing for the period starting January 15, 1985 up to December, 1986.
- 4) Kindly furnish the Commission with the breakdown of all breakages derived from Tuesdays, Thursdays and Wednesdays racing that you have remitted to the legal beneficiaries."^[12]

On June 16, 1987, petitioners MJCI and PRCI sought reconsideration^[13] of the May 21, 1987 opinion of then Deputy Executive Secretary Macaraig, but the same was denied by the Office of the President in its letter dated April 11, 1988.^[14]

On April 25, 1988, PHILRACOM wrote another letter^[15] to the petitioners MJCI and

RCI seeking the remittance of its share in the breakages. Again, on June 13, 1990, PHILRACOM reiterated its previous demand embodied in its letter of April 25, 1988.

[16]

Petitioners ignored said demand. Instead, they filed a Petition for Declaratory Relief before the Regional Trial Court, Branch 150 of Makati, on the ground that there is a conflict between the previous opinion of PHILRACOM dated September 20, 1978 and the present position of PHILRACOM, as declared and affirmed by the Office of the President in its letters dated May 21, 1987 and April 11, 1988. Petitioners averred that there was an "actual controversy" between the parties, which should be resolved.

On March 11, 1991, the trial court rendered judgment, disposing as follows:

"WHEREFORE, and in view of all the foregoing considerations, the Court hereby declares and decides as follows:

a) Executive Orders Nos. 88 and 89 do not and cannot cover the disposition and allocation of mid-week races, particularly those authorized to be held during Tuesdays, Wednesdays and those which are not authorized under Republic Acts 6631 and 6632; and

b) The ownership by the Manila Jockey Club, Inc. and the Philippine Racing Club, Inc. of the breakages they derive from mid-week races shall not be disturbed, with the reminder that the breakages should be strictly and wholly utilized for the purpose for which ownership thereof has been vested upon said racing entities.

SO ORDERED."

Dissatisfied, respondent PHILRACOM filed a Petition for Certiorari with prayer for the issuance of a writ of preliminary injunction before this Court, raising the lone question of whether or not E. O. Nos. 88 and 89 cover breakages derived from the mid-week races. However, we referred the case to the Court of Appeals, which eventually reversed the decision of the trial court, and ruled as follows:

"x x x x x x x x x

The decision on the part of PHILRACOM to authorize additional racing days had the effect of widening the scope of Section 5 of RA 6631 and Section 7 of RA 6632. Consequently, private respondents derive their privilege to hold races on the designated days not only from their franchise acts but also from the order issued by the PHILRACOM. No provision of law became inconsistent with the passage of the Order granting additional racing days. Neither was there a special provision set to govern those mid-week races. The reason is simple. There was no need for any new provisions because there are enough general provisions to cover them. The provisions on the disposition and allocation of breakages being general in character apply to breakages derived on any racing day.

x x x x x x x x x

"WHEREFORE, based on the foregoing analysis and interpretation of the laws in question, the judgment of the trial court is hereby SET ASIDE. Decision is hereby rendered:

1. declaring Section 4 of RA 6631 as amended by E.O. 89 and Section 6 of RA 6632 as amended by E.O. 88 to cover the disposition and allocation of breakages derived on all races conducted by private respondents on any racing day, whether as provided for under Section 4 of RA 6631 or Section 6 of RA 6632 or as ordered by PHILRACOM in the exercise of its powers under P.D. 420;

2. ordering private respondents to remit to PHILRACOM its share under E.O. 88 and E.O. 89 derived from races held on Tuesdays, Wednesdays, Thursdays as authorized by PHILRACOM.

SO ORDERED."^[19]

Petitioners filed a motion for reconsideration, but it was denied for lack of merit, with respondent Court of Appeals further declaring that:

"x x x x x x x x x

In so far as the prospective application of Executive Orders Nos. 88 and 89 is concerned, We have no disagreement with the respondents. Since PHILRACOM became the beneficiary of the breakages only upon effectivity of Executive Order Nos. 88 and 89, it is therefore entitled to such breakages from December 16, 1986 when said Executive Orders were issued. However, we do not concede that respondents are entitled to breakages prior to December 16, 1986 because it is clear that the applicable laws from 1976 to December 16, 1986 were R.A. 6631 and R.A. 6632, which specifically apportion the breakages to specified beneficiaries among which was the PAAF, a government agency. Since respondents admit that PHILRACOM (Petitioner) was merely placed in lieu of PAAF as beneficiary/recipient of breakages, then whatever breakages was due to PAAF as one of the beneficiaries under R.A. Nos. 6631 and 6632 accrued to or should belong to PHILRACOM as successor to the defunct PAAF.

Finding the Motion for Reconsideration without merit, and for reasons indicated, the Motion is denied.

SO ORDERED."^[20]

Consequent to the aforequoted adverse decision, petitioners MJCI and PRCI filed this petition for review under Rule 45.

The main issue brought by the parties for the Court's resolution is: Who are the rightful beneficiaries of the breakages derived from mid-week races? This issue also carries an ancillary question: assuming PHILRACOM is entitled to the mid-week breakages under the law, should the petitioners remit the money from the time the mid-week races started, or only upon the promulgation of E.O. Nos. 88 and 89?