

****Title:** *Republic of the Philippines v. Hon. Jesus M. Mupas, et al.***

Facts:

In July 1997, the Philippine government entered into a concession agreement with Philippine International Airport Terminals Co., Inc. (PIATCO) for the construction and operation of the Ninoy Aquino International Airport Passenger Terminal III (NAIA-IPT III) under a Build-Operate-Transfer scheme. PIATCO then subcontracted Takenaka Corporation and Asahikosan Corporation for the construction and supply of equipment.

Payments to Takenaka and Asahikosan were not made, leading to the International Chamber of Commerce in London issuing awards in their favor. Meanwhile, in 2003, the Supreme Court nullified the PIATCO contracts due to non-compliance with bidding requirements and substantial modifications to the draft concession agreement. In December 2004, as a result of the nullification, the Republic filed for expropriation to acquire NAIA-IPT III.

Through various legal challenges and after the Republic deposited an initial amount deemed as the property's assessed value, the Regional Trial Court (RTC) issued a writ of possession in the Republic's favor. However, controversies regarding the computation and payment of just compensation led to the case reaching the Supreme Court.

Issues:

1. Whether the Republic's acquisition of NAIA-IPT III through expropriation requires the payment of just compensation to PIATCO and, if so, the proper computation of such just compensation.
2. Whether interest should accrue on the unpaid amount of just compensation.
3. The applicability of RA 8974 (pertaining to the guidelines on expropriation proceedings) and its impact on the immediate writ of possession for the expropriating authority.
4. The liability of PIATCO, Takenaka, and Asahikosan for the expenses of the Board of Commissioners (BOC) tasked with assessing just compensation.
5. The claim of Takenaka and Asahikosan to part of the just compensation as lienholders due to their unpaid construction services.

Court's Decision:

The Supreme Court applied RA 8974, asserting its provisions in determining just compensation and emphasizing the need for immediate payment of at least the property's

proffered value to effectuate the writ of possession. The Court ruled that PIATCO, being the builder and owner of NAIA-IPT III, is entitled to just compensation, rejecting Takenaka and Asahikosan's claim to part of the just compensation.

The Court adopted a depreciated replacement cost approach to compute just compensation, adjusted to 2004 values using the Consumer Price Index, with interest accruing from September 11, 2006, given the Republic's effective possession from that date. The Republic was also tasked to cover the expenses of the BOC.

Doctrine:

The Republic can only commence with the effective ownership and use of expropriated property upon full payment of just compensation determined based on the depreciated replacement cost method, adjusted appropriately, and inclusive of legal interest from the date of possession until full payment. RA 8974 guides the expropriation proceedings, particularly regarding the valuation of property and immediate possession by the expropriating authority.

Class Notes:

- The **expropriation process** under the Philippine legal system requires that the government agency or entity must first provide just compensation to the property owner based on the current market value and other relevant factors before taking over the property.
- **Just compensation** is computed based on the depreciated replacement cost method and includes adjustments for inflation and interest for delayed payment.
- **RA 8974** provides the guidelines for expropriation proceedings, especially concerning infrastructure projects, focusing on the payment of the property's proffered value for the issuance of a writ of possession.
- Legal **interest** accrues on the unpaid just compensation from the time the government takes possession until full payment is made.

Historical Background:

This case illustrates the intricate legal challenges in public infrastructure projects in the Philippines, particularly when it involves expropriating property developed under a public-private partnership that was later deemed null and void. The resolution elucidates the principles governing expropriation, including the determination and payment of just

compensation, emphasizing the legal obligations of the state to ensure fairness and justness in acquiring private properties for public use.