

### Title:

Manila International Airport Authority v. ALA Industries Corporation: A Study on the Non-Applicability of Fortuitous Events to Contractual Obligations

### Facts:

The case originated from a contract between the Manila International Airport Authority (MIAA) and ALA Industries Corporation (ALA) for structural repairs and waterproofing of the International Passenger Terminal (IPT) and International Container Terminal (ICT) buildings at the Ninoy Aquino International Airport (NAIA). ALA emerged as the winning bidder with a proposal of PHP 32,000,000, after agreeing to reduce its initial bid. The contract formalized on June 28, 1993, outlined the scope of work, payment schedules, the quality and warrant of materials and workmanship including deficiencies within a one-year period post-acceptance.

ALA partially executed the project, securing partial payments from MIAA. Disputes over payments for the completed stages ensued, with MIAA unilaterally terminating the contract alleging ALA's failure to meet the deadline. Despite a formed committee to evaluate the work done and ALA's objections to the termination, full payment remained elusive.

ALA filed a complaint for the recovery of sums and damages totalling over PHP 13 million. The case was directed to arbitration leading to a Compromise Agreement, approved by the Regional Trial Court (RTC), wherein MIAA agreed to pay ALA PHP 5,946,294.31 within 30 days. MIAA's failure to pay within the agreed period prompted ALA to motion for execution, which the RTC initially denied attributing the delay to MIAA's government status and the Christmas season's foreseeable difficulties. The Court of Appeals (CA) reversed this decision, enforcing the agreed payment through a Writ of Execution.

### Issues:

1. Did the slight delay by MIAA in complying with the Compromise Agreement warrant the enforcement of ALA's claim under the Complaint?
2. Is MIAA's delay justified under the principle that no person shall be responsible for unforeseeable events or those though foreseen but inevitable?
3. Is ALA estopped from enforcing its claim under the Complaint considering it already enjoyed benefits from the Compromise Agreement?

### Court's Decision:

The Supreme Court denied MIAA's petition and affirmed the CA's decision. It ruled that the

Compromise Agreement, akin to any contract that receives judicial approval, carries the force of *res judicata* between parties and once approved, becomes final and executory. The Court emphasized that the Christmas season could not constitute a fortuitous event excusing noncompliance with obligations. A failure to consider the standard processing time for government claims, especially around the predictable congested Christmas season, does not absolve MIAA from liability. Furthermore, ALA is not estopped from pursuing the total claim as allowed under the terms of the Compromise Agreement.

**### Doctrine:**

The decision reiterates the doctrine that a judicially approved Compromise Agreement constitutes a final and executory judgment, not susceptible to alteration except under conditions of consent vices or forgery. It also clarifies that foreseeable administrative delays, including those attributable to seasonal workloads, do not classify as fortuitous events that can excuse non-compliance with contractual obligations.

**### Class Notes:**

- A Compromise Agreement approved by a court has the effect of a final judgment between the parties involved.
- Fortuitous events are unforeseeable events that could not be prevented. Seasonal administrative delays do not qualify as such.
- Parties to a Compromise Agreement are bound to its terms unless issues of consent (mistake, fraud, violence, intimidation, undue influence, or falsity of documents) invalidate the agreement.

**### Historical Background:**

This case underscores the rigidity of contractual obligations once sanctioned by judicial approval and the limitations of claiming fortuitous events as defenses against non-compliance. It highlights the judiciary's role in upholding the sanctity of contracts and ensuring commitments are respected, devoid of undue delays or pretexts.