

### Title:

Philippine American General Insurance Company vs. PKS Shipping Company

### Facts:

Davao Union Marketing Corporation (DUMC) hired PKS Shipping Company (PKS Shipping) to transport 75,000 bags of cement to Tacloban City, insured for P3,375,000.00 by Philippine American General Insurance Company (Philamgen). The cargo, loaded on PKS Shipping's Limar I, sank off Zamboanga del Sur on December 22, 1988. Philamgen paid DUMC's claim and sought reimbursement from PKS Shipping, who denied liability. Philamgen then filed a complaint with the Makati RTC, which dismissed the case, citing potential fortuitous event or crew negligence and the "Limited Liability Rule." The Court of Appeals upheld the RTC's decision, noting PKS Shipping's non-common carrier status and the fortuitous loss of cargo. Philamgen appealed, disputing PKS Shipping's classification and liability exemption.

### Issues:

1. Whether PKS Shipping is considered a common carrier.
2. Whether PKS Shipping exercised the appropriate level of diligence required of carriers.
3. The applicability of the doctrine of presumption of negligence and the carrier's defense.

### Court's Decision:

The Supreme Court found that PKS Shipping, despite serving a limited clientele, is considered a common carrier as it undertakes to carry goods for a fee, indicating a business activity rather than a casual or ancillary activity. However, the court agreed with the lower courts that PKS Shipping was absolved of liability due to the fortuitous loss of the cargo. The Supreme Court emphasized the extraordinary diligence required of common carriers but recognized the exception for natural disasters. The evidence supported that the loss was caused by such an event, and PKS Shipping had met the burden of proving it exercised due diligence.

### Doctrine:

This case reaffirmed that a carrier's classification as a common or private carrier determines the level of diligence required—extraordinary for the former, ordinary for the latter. It reiterated the principle that common carriers are presumed negligent in case of loss unless they can prove the loss was due to an exempted cause under Article 1734 of the Civil Code.

### Class Notes:

- **Common Carrier vs. Private Carrier**: A common carrier engages in the business of transporting goods or people for a fee available to the public, requiring extraordinary diligence, while a private carrier does not advertise such services to the public and requires only ordinary diligence.
- **Extraordinary Diligence (Article 1733, Civil Code)**: Common carriers must observe extraordinary diligence in safeguarding goods transported, with a presumption of negligence in case of loss, destruction, or deterioration.
- **Exemption Causes for Common Carriers (Article 1734, Civil Code)**: Includes natural disasters, acts of public enemies, the shipper's own acts, inherent defects of the goods, and orders of public authority.

### Historical Background:

This case underscores the evolving interpretation of what constitutes a common carrier in Philippine jurisprudence. The court relied on previous rulings to solidify the understanding that offering carriage services, even to a specific or limited clientele, subjects an entity to the responsibilities and obligations of a common carrier. This reflects a protective stance towards the public and shippers, aligning with the principle of public welfare predominating over private business interests.