

Title:

Cebu Salvage Corporation vs. Philippine Home Assurance Corporation: On Common Carrier's Liability for Cargo Loss

Facts:

On November 12, 1984, Cebu Salvage Corporation, herein petitioner, entered into a voyage charter with Maria Cristina Chemicals Industries, Inc. (MCCII), to transport 800 to 1,100 metric tons of silica quartz from Ayungon, Negros Occidental, to Tagoloan, Misamis Oriental. The M/T Espiritu Santo was loaded with the cargo on December 23, 1984, but tragically sank the following day, resulting in a total loss of the shipment.

MCCII filed a claim with its insurer, respondent Philippine Home Assurance Corporation, which compensated MCCII P211,500 for the loss and was thus subrogated to MCCII's rights. The insurer pursued reimbursement from Cebu Salvage Corporation through litigation in the Regional Trial Court (RTC) of Makati, which found in favor of the respondent. The Court of Appeals affirmed this decision.

Issues:

1. Whether the agreement between Cebu Salvage Corporation and MCCII was a contract of carriage, thus making the former liable for the cargo loss despite not owning the vessel.
2. The applicability and effect of the bill of lading issued by the actual vessel owner versus the charter agreement.
3. The effect of a stipulation that cargo insurance was for the charterer's account on the carrier's liability for the cargo loss.

Court's Decision:

The Supreme Court denied the petition, holding that:

1. The agreement was indeed a contract of carriage. Cebu Salvage actively negotiated and solicited the transport deal, retaining control and responsibility over the cargo transport, thus characterizing itself as a common carrier liable for the cargo's loss.
2. The bill of lading did not supersede the charter agreement. It functioned merely as a receipt and was not evidence of a contract of carriage between MCCII and the vessel owner. The voyage charter, stipulating the carriage arrangement, held precedence.
3. A stipulation for the charterer to arrange cargo insurance did not exempt the carrier from liability for loss. Such clauses are deemed contrary to public policy and do not relieve the carrier of its duty of care.

Doctrine:

This case reiterates the principle of common carriers' responsibility for the goods they transport. It establishes that a common carrier cannot waive its liability for cargo loss through non-ownership of the vessel used for transport, nor through provisions regarding insurance responsibilities placed upon the charterer. It underscores the carrier's duty to observe extraordinary diligence in safeguarding the goods, failing which they are presumed negligent unless proven otherwise.

Class Notes:

- **Contract of Carriage**: An agreement where one party (carrier) obligates to transport goods or passengers to a designated destination in return for a fee.
- **Common Carriers**: Entities that offer their services to the public for the transport of goods or passengers over land, water, or through the air.
- **Doctrine of Extraordinary Diligence**: Common carriers are mandated to observe extraordinary diligence in the care of goods transported, with a presumption of negligence in case of loss, destruction, or deterioration.
- **Subrogation**: The substitution of one party (insurer) to the rights of another (insured/shipper) following compensation for losses.
- **Relevant Legal Provisions**: Articles 1732, 1733, and 1734 of the Civil Code of the Philippines define common carriers, their responsibilities, and the instances where they may be exempt from liability.

Historical Background:

The context of this case highlights the intricate dynamics of maritime transport agreements, insurance, and liability in the Philippines. It underscores the legal framework governing common carriers and their obligation to ensure the safe delivery of cargo, reflecting on the broader principles of contract, obligations, and insurance law within the jurisdiction.