

****Title: CE Construction Corporation v. Araneta Center Inc.****

****Facts:****

CE Construction Corporation (CECON) and Araneta Center Inc. (ACI) had an extensive history of business transactions leading to the disputed contract for the redevelopment of the Araneta Center Complex, which would eventually be called the Gateway Mall. The bidding process initiated by ACI required that the project be a “lump sum” or “fixed price” contract. However, various adjustments and negotiations took place after CECON submitted its bid, which proposed a P1.54 billion fixed price for the project, including design and construction but solely based on schematic drawings.

ACI’s failure to timely respond to CECON’s bid and their subsequent verbal agreement to commence work without a formal contract led to a series of adjustments conditioned on evolving project details. This ranged from the project scope, cost adjustments due to market fluctuations in material prices, up to the inclusion of additional structures into the project plans like an office tower. Notably, ACI’s decision to take over the design aspect of the project and to issue construction drawings in a “piece-meal” manner caused significant changes in the scope of work and delays.

Despite these developments and without ever having a formal written contract, both parties had extensively acted in ways suggesting a binding business agreement. ACI later formally acknowledged CECON’s tender in the adjusted sum of P1.54 billion through a letter. This notwithstanding, formal contract documents were not provided to CECON for execution as promised by ACI.

Given the prolonged negotiations and changes, CECON sought relief from the Construction Industry Arbitration Commission (CIAC), citing unsatisfactory compensation for its rendered services conditioned by the mutable terms and delays attributable to ACI.

****Issues:****

The legal issues raised involve whether the CIAC Arbitral Tribunal exceeded its jurisdiction in granting cost adjustments, changes, and additional expenses claimed by CECON absent a formal written contract and whether the Court of Appeals erred in modifying the CIAC decision based on the immutability of the lump-sum contract and the doctrine of inalterability of bids.

****Court’s Decision:****

The Supreme Court reversed the Court of Appeals’ decision, reinstating the CIAC Arbitral

Tribunal's decision to award CECON the compensation it sought. The Court clarified that the CIAC did not exceed its jurisdiction. It acted within its mandate by employing aids in interpretation, notably considering the parties' contemporaneous and subsequent acts under Articles 1370 to 1379 of the Civil Code.

The absence of a written instrument definitively outlining the agreement did not hinder the CIAC from ascertaining the intents and agreements of the parties through their actions and negotiations post-tender bid. The mutable nature of the project's scope, cost adjustments due to delays, and changes directly attributable to ACI's decisions highlighted the fairness of recompense to CECON.

****Doctrine:****

The doctrine established by this case highlights that the interpretation of ambiguous contractual terms, or the absence of a formal contract, should consider the contemporary and subsequent acts of the parties. Additionally, it reiterates that arbitral tribunals, particularly those specialized like the CIAC, are endowed with broad discretion to resolve disputes based on their technical expertise and should not be restrained by the stringent application of judicial rules of evidence or procedure.

****Class Notes:****

1. ****Absence of a Formal Contract:**** The Court acknowledged the possibility of binding agreements even in the absence of a formal written contract, based particularly on the actions and negotiations of the parties involved.
2. ****Jurisdiction of CIAC:**** The CIAC has broad authority to interpret and decide upon issues arising from construction-related disputes, even in instances lacking unambiguous contractual stipulations.
3. ****Articles 1370 to 1379 of the Civil Code:**** These provisions serve as guides for arbitral tribunals and courts in determining the intentions and agreements of parties in the absence of explicit written contracts.
4. ****Technical Expertise in Arbitration:**** Arbitral decisions, especially those of the CIAC, are afforded deference given their specialized knowledge and insights into the subject matter, beyond the purview of standard judicial review.

****Historical Background:****

The case took place against the backdrop of evolving commercial and legal practices in construction arbitration. It underscores the critical role of arbitration in providing an expedited and technically oriented resolution path for disputes in highly technical fields

such as construction, reinforcing the necessity for specialized bodies like the CIAC amidst the intricacies and contractual fluidity common in large-scale development projects.