

Title:

****Philippine Charter Insurance Corporation vs. Unknown Owner of the Vessel M/V “National Honor,” National Shipping Corporation of the Philippines and International Container Services, Inc.****

Facts:

On November 5, 1995, J. Trading Co. Ltd. of Seoul, Korea, loaded a shipment of machinery parts and accessories onto the M/V “National Honor” bound for Manila, Philippines. The primary consignee was Blue Mono International Company, Inc. (BMICI), while National Shipping Corporation of the Philippines (NSCP) acted as the shipping agent. The shipment arrived at the Manila International Container Terminal (MICT) on November 14, 1995. Upon arrival, the contents of one of the crates (Crate No. 1) crashed to the ground while being unloaded using a winch crane operated by Olegario Balsa of International Container Terminal Services, Inc. (ICTSI), resulting in significant damage. BMICI found the shipment unusable and subsequently filed claims against the NSCP, ICTSI, and Philippine Charter Insurance Corporation (PCIC), which insured the shipment for P2,547,270.00.

PCIC paid BMICI a sum of P1,740,634.50 and was issued a Subrogation Receipt. On March 22, 1995, PCIC filed a complaint for damages against the unknown owner of M/V “National Honor,” NSCP, and ICTSI before the Regional Trial Court (RTC) of Manila, Branch 37. The RTC and subsequently the Court of Appeals (CA) ruled in favor of respondents, dismissing the complaint. PCIC then filed a petition for review before the Supreme Court, contending serious errors in the lower courts’ decisions.

Issues:

1. ****Whether NSCP, as a common carrier, is liable for damages sustained by the shipment while in possession of ICTSI.****
2. ****Whether the statutory presumption of fault and negligence should apply to the carrier (NSCP).****
3. ****Whether ICTSI is solely responsible for the damage due to alleged mishandling of the shipment during unloading.****
4. ****Whether the shipment’s defective packing, as found by RTC and CA, absolves NSCP and ICTSI of responsibility.****

Court’s Decision:

The Supreme Court denied the petition for review, holding that both the RTC and CA had not committed errors in their findings. The Court analyzed each issue as follows:

1. **Liability of NSCP as Common Carrier:**

The Supreme Court noted that liability for the damage to the shipment fell under one of the exceptions specified in Article 1734 of the New Civil Code, i.e., “defects in the packing or in the containers.” The breakage of Crate No. 1 occurred because the middle wooden batten had a structural weakness, which was an inherent defect not attributable to NSCP or ICTSI.

2. **Statutory Presumption of Fault and Negligence:**

The presumption of fault and negligence against the common carrier is rebuttable. Because the damage to the shipment was due to defects in packing—a justifiable exception under Article 1734—the presumption did not apply in this case.

3. **Responsibility of ICTSI:**

ICTSI performed its duties based on standard procedures, placing slings according to the marks on the crate. The Court found no evidence of mishandling beyond what was caused by the defective packing materials used by the shipper.

4. **Defective Packing:**

The Supreme Court affirmed the findings of the lower courts that Crate No. 1 collapsed due to an inherent defect in the middle wooden batten. The shipper’s failure to properly pack and indicate the correct sling placements on the crate was a critical factor leading to the damage.

Doctrine:

Article 1734 of the New Civil Code of the Philippines—Enumerates the exceptions under which a common carrier is exempt from liability for the loss or damage of goods. This case reinforces that the common carrier can claim exemption due to inherent defects in the packing or the goods themselves.

Class Notes:

- **Elements and Concepts:**
- **Extraordinary Diligence of Common Carriers:** Common carriers must exercise extraordinary diligence to prevent damage to goods (Article 1733, New Civil Code).
- **Presumption of Carrier’s Negligence:** Presumption arises if goods are received in good condition and arrive damaged (Article 1735, New Civil Code).
- **Proving Exceptions under Article 1734:** Carrier must prove that the damage was due to an exception listed in Article 1734 to rebut the presumption of negligence.
- **Key Statutory Provisions:**

- **Article 1733:** Mandates common carriers to exercise extraordinary diligence.
- **Article 1734:** Lists exceptions to carrier liability, including defects in packing or the inherent nature of the goods.
- **Article 1735:** Establishes the presumption of negligence if the carrier fails to deliver goods in the same condition they were received.

Historical Background:

The case provides a legal context for interpreting the liability of common carriers in the Philippines concerning damaged shipments, highlighting the principle of extraordinary diligence and the applicability of statutory exceptions. These rulings stem from maritime and insurance law principles to determine responsibility for damaged goods during transit and unloading operations.