

Title

Coastwise Lighterage Corporation v. Court of Appeals and Philippine General Insurance Company

Facts

Background: Pag-asa Sales, Inc. engaged Coastwise Lighterage Corporation (“Coastwise”) for transporting molasses from Negros to Manila using Coastwise’s dumb barges. The barges were towed by the tugboat MT Marica, also owned by Coastwise.

Incident: While navigating towards Pier 18 in Manila Bay, one of the barges, “Coastwise 9”, struck an unknown submerged object, causing significant damage to its forward buoyancy compartment, leading to water ingress. Consequently, the molasses cargo became contaminated and was rejected by Pag-asa Sales, Inc. as a total loss.

Claims and Initial Proceedings:

- Pag-asa Sales, Inc.:** Filed a claim with their insurer, Philippine General Insurance Company (PhilGen), and against Coastwise.
- PhilGen:** Paid Pag-asa Sales, Inc. P700,000 for the damaged cargo and subsequently filed a subrogation claim against Coastwise in the Regional Trial Court (RTC) of Manila to recover the amount paid.

RTC Decision: The RTC ruled in favor of PhilGen, ordering Coastwise to pay P700,000 plus legal interest, P100,000 as attorney’s fees, and the costs of the suit.

Court of Appeals: Coastwise appealed but the Court of Appeals affirmed the RTC’s decision, maintaining the liabilities.

Supreme Court Petition: Coastwise subsequently filed a petition for review before the Supreme Court.

Issues

- Whether Coastwise Lighterage was transformed into a private carrier by virtue of the contract with Pag-asa Sales, Inc.**
- If classified as a private carrier, did Coastwise exercise the ordinary diligence required of a private carrier?**
- Whether PhilGen was subrogated to the rights of Pag-asa Sales, Inc. against Coastwise upon payment of the insurance claim.**

Court's Decision

Issue 1: Nature of Carrier

The Supreme Court determined that:

- The contract between Pag-asa Sales, Inc. and Coastwise was one of affreightment rather than a demise or bareboat charter.
- Despite Coastwise's contention, it remained a common carrier under the contract of affreightment, as the vessel's command and navigation remained with Coastwise.
- As a common carrier, Coastwise had a higher duty of extraordinary diligence.

Issue 2: Exercise of Diligence

The Court found:

- Coastwise did not exercise extraordinary diligence. Evidence showed the barge was operated by an unlicensed patron, violating Article 609 of the Code of Commerce, which impacts the skills and compliance requirements for commanding a vessel.
- The unlicensed patron's lack of navigational skills and familiarity contributed to the accident. Therefore, the presumption of negligence was not rebutted.

Issue 3: Subrogation

The Court upheld PhilGen's right of subrogation under Article 2207 of the Civil Code:

- Upon paying the insurance claim, PhilGen was subrogated to the rights of Pag-asa Sales, Inc., gaining the ability to claim recovery from Coastwise.
- This principle of subrogation applies regardless of privity of contract between PhilGen and Coastwise.

Conclusion: The petition by Coastwise was denied, and the decision of the Court of Appeals was affirmed.

Doctrine

1. **Common Carrier Liability:** Common carriers have the duty to exercise extraordinary diligence. Proof of goods delivered in good condition and arriving damaged establishes a prima facie case of negligence against the carrier, which can only be rebutted by evidence of the exercised extraordinary diligence.
2. **Subrogation Rights:** Under Article 2207 of the Civil Code, upon payment of an insurance claim, the insurer is subrogated to the rights of the insured against the wrongdoer, without needing a written assignment of rights.

Class Notes

- **Common Carrier:** Defined under Article 1732 of the Civil Code, refers to entities engaged in the business of transporting goods or passengers for compensation.
- **Extraordinary Diligence:** As required by Article 1733 of the Civil Code, common carriers must observe extraordinary diligence in ensuring the safety of transported goods.
- **Subrogation:** Article 2207 of the Civil Code establishes the right of insurers to be subrogated to the rights of the insured against third parties who caused the loss.
- **Code of Commerce (Art. 609):** Captains, masters, or patrons must be Filipinos, have legal capacity, and possess required navigational skills and qualifications.

Historical Background

The case highlights the strict liability imposed on common carriers in the Philippines and the protective measures for consignees via the doctrines of extraordinary diligence and subrogation rights. The decision reinforces the differentiation between common and private carriers, and the diligence expected of the former to ensure the safety and integrity of transported goods.