

****Title:****

Delsan Transport Lines, Inc. vs. American Home Assurance Corporation

****Facts:****

Delsan Transport Lines, Inc. (Delsan), a domestic corporation operating the vessel MT Larusan, received a shipment of 1,986.627 kiloliters of diesel oil from Bataan Refinery Corporation for delivery to Caltex Philippines Inc.'s (Caltex) bulk depot in Bacolod City under a Contract of Afreightment. The shipment, insured by American Home Assurance Corporation (AHAC), arrived in Bacolod on August 7, 1984, and unloading began at 1:30 PM.

At 10:30 PM, unloading was interrupted due to the discovered cutting/stolen port bow mooring, causing the vessel to drift, stretch the rubber hose attached to the riser, snap the elbow, sever the hose from the main delivery line, and spill oil into the sea. Attempts to clear the diesel oil via water flushing failed, and the shore tender failed to close the shore tank gate valve, causing backflow of diesel oil, already discharged into the shore tank, into the sea.

Caltex sought recovery of the loss which Delsan refused, prompting AHAC, after indemnifying Caltex, to file two damage suits against Delsan. Civil Cases No. 85-29357 and No. 85-30559 were filed in the RTC of Manila for spillage and backflow losses respectively. The cases were consolidated in Branch IX. The RTC held Delsan liable for the loss due to negligence and failure to exercise extraordinary diligence as a common carrier. The decision was affirmed by the Court of Appeals (CA G.R. CV No. 40951).

****Issues:****

1. Whether Delsan can be exonerated from liability under Article 1734 of the Civil Code due to possible contributory negligence by Caltex.
2. Whether the loss from backflow should hold Delsan liable considering the diesel oil had supposedly been delivered to Caltex's shore tank.

****Court's Decision:****

Upon Delsan's petition for certiorari, the Supreme Court affirmed the CA's decision.

- ****On Article 1734 Exoneration:****

The Court held that Delsan failed to substantiate its claim of contributory negligence by Caltex. It established that proximate cause for the loss was the severance of the port bow mooring and failure to promptly inform Caltex's shore staff about the issue. The argument

that Caltex's shore tender should have closed the valve does not exempt Delsan from responsibility as their crew did not effectively communicate the issue when it arose.

- **On Backflow Liability:**

The Court ruled that delivery of the diesel oil had not been completed when the backflow occurred. Since the oil products had not been fully unloaded into Caltex's depot, Delsan still retained responsibility. The failure to exercise extraordinary diligence continued until actual delivery was completed.

Doctrine:

1. **Extraordinary Diligence:** Common carriers are required to observe extraordinary diligence in the vigilance over transported goods. Any loss, destruction, or deterioration of the goods implies carrier negligence unless proven otherwise under specific circumstances enumerated in Article 1734.
2. **Prima Facie Liability:** Simple proof that goods were received in good condition and arrived in poor condition establishes a prima facie case against the carrier.
3. **Continuous Obligation:** The carrier's extraordinary responsibility lasts until actual or constructive delivery to the consignee is complete (Article 1736 of the Civil Code).

Class Notes:

- **Common Carrier:** Must apply extraordinary diligence from acceptance to delivery.
- **Presumption of Negligence:** Requires carrier to prove one of the Article 1734 exceptions.
- **Delivery Conditions:** Delivery completion timing affects carrier liability.
- **Article 1734, Civil Code:** Lists specific scenarios absolving carriers from liability.
- **Proximate Cause:** Key factor in negligence and liability determination.

Historical Background:

The context of this case involves cargo transportation and insurance disputes, common in maritime logistics. The case reinforces carriers' duty to exercise utmost care to protect cargo, reflecting Philippine legal standards for commercial transport and aligning with international shipping practices.