

VENANCIO LIM, SR., PLAINTIFF-APPELLEE, VS. THE SECRETARY OF AGRICULTURE AND NATURAL RESOURCES, THE DIRECTOR OF LANDS, THE SUGAR QUOTA ADMINISTRATOR AND THE SUGAR QUOTA BOARD, DE...*G.R. No. L-26990. August 31, 1970*

Ponente: FERNANDO, J.

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The revocation of a lease contract by defendant Secretary of Agriculture and Natural Resources[1] was challenged in an ordinary action before the Court of First Instance of Rizal by plaintiff Venancio Lim, Sr., now appellee. The burden of showing a grave abuse of discretion that plaintiff had to bear, heavy enough as it was, was not made any lighter by the fact that such revocation was expressly affirmed by the then Executive Secretary acting by authority of the President. Nonetheless, plaintiff prevailed, the lower court relying on his plea that such an actuation was marred by a failure to observe the commands of due process as well as the non-impairment of obligations of contract guarantees of the Constitution. The matter was elevated to us on appeal. After a careful study of the relevant facts and the controlling doctrines, we have reached a different conclusion. We reverse.

As noted in the lower court decision: "The facts in the present case are not disputed by the parties. This Court is asked decide purely questions of law on the basis of the facts appearing in three documents, namely, (a) 'Partial Stipulation of Facts' dated October 6, 1964; (b) Additional Stipulation of Facts dated May 24, 1965; and (c) 'Manifestation of Errata' dated July 7, 1965.'"[2]

In a document notarized on August 5, 1958, the then Secretary of Agriculture and Natural Resources, on behalf of the Government as lessor, and a certain Benito Roces, who intervened in this suit as lessee, executed a lease contract covering sugar plant marketing allotments of the Mindoro Mill District for five consecutive crop years from and including the 1958 and 1959 season at a yearly rental at the rate of fifty centavos per picul.[3] After barely three months, plaintiff Venancio Lim, Sr. took steps to lease the same sugar plant marketing allocations for a period of ten crop years beginning with the 1963-1964 season at a yearly rental of fifty-five centavos per picul, as shown in a first indorsement of the Director of Lands to the then Secretary of Agriculture and Natural Resources, enclosing communications from the plaintiff dated November 6, 1958; February 9, 1959; and August 3, 1959. As a result, one year and one month later, on December 8, 1959, with the existing five-year lease contract in favor of intervenor Roces having four more years to run, another contract of lease for the same sugar plant marketing allotments was executed by the then Acting Secretary of Agriculture and Natural Resources and plaintiff, the rate of rental being fixed at fifty-five centavos per picul and the term to extend to the 1972-1973 crop year beginning from the 1963-1964 season.[4]

Then came, on July 5, 1961, the order of revocation by the then Secretary of Agriculture and Natural Resources, Cesar M. Fortich. It was the conclusion arrived at "that the execution of the contract of lease between the then Acting Secretary of Agriculture and Natural Resources and Mr. Venancio Lim, Sr. covering matters still

embraced in a subsisting contract was improper, irregular and arbitrary. It is improper and irregular because the contract was executed barely a year after the lease contract with Mr. Roces which calls for a period of five crop years was entered into. When the contract in question was executed, the contract with Mr. Roces has four more years to go. At the time, it was, therefore, too premature to even consider any application or request to lease the sugar plant marketing allotments which were still covered by the subsisting contract of Mr. Roces. It is also arbitrary because Mr. Roces was not accorded the opportunity to be heard on the allegations that practically describes him to be an unqualified lessee. The records do not show that Mr. Roces was notified to the effect that after the expiration of his contract, the sugar plant marketing allotments covered thereby were to be leased to Mr. Venancio Lim, Sr. The proceedings appear to have been all taken without the knowledge of Mr. Roces. Even the acceptance by the Bureau of Lands under Official Receipt No. B-4076582 dated November 3, 1959 of the amount of P5,785.35 tendered by Mr. Lim, Sr. to cover one crop year rental in advance - a sum paid one month before the then Acting Secretary had approved the contract - appears to show that everything was possibly being done in a railroaded manner under very suspicious circumstances."[5]

The dispositive portion of such revocation reads as follows: "In view of the foregoing circumstances, this Office is left with no other choice than to revoke, as it does hereby revoke, the contract of lease entered into by this Department with Mr. Venancio Lim, Sr., on December 8, 1959, covering the sugar plant marketing allotments for Plantations Nos. 30-4, 30-8c and 30-9c of the Mindoro Mill District, directing at the same time the refund to Mr. Lim, Sr. of all the amounts already paid by him by way of advance rentals. Thereafter, the request herein of Mr. Benito Roces for the renewal of his contract may be given due course in accordance with law and the rules and regulations govern-ing the matter."[6]

There was a motion for reconsideration filed by plaintiff on August 9, 1961 premised on the procedural ground that he was not given the opportunity to be heard before such revocation and on the substantive ground that the lease contract of which he was a party was valid, subsisting and binding, the power to revoke the same being lodged exclusively in a court of justice. The points thus raised were further elaborated in a memorandum of August 18, 1961 submitted to the then Secretary of Agriculture and Natural Resources.[7] His objections were carefully considered by such official who, in a communication to plaintiff of September 12, 1961, reiterated his finding that such lease contract with the plaintiff was "improper, irregular, arbitrary and executed under suspicious circumstances." That the rights of plaintiffs were not summarily disregarded by such revocation was made evident in the concluding paragraph of that communication. Thus: "Hence, the decision of this Office in its 2nd indorsement dated July 5, 1961 to the Director of Lands shall stand and remain in full force and effect with your request for reconsideration hereby rejected. This is, however, without prejudice to your right to file a new application for the aforesaid sugar plant marketing allotments, if you so desire, to be taken into consideration along with the application for renewal of Benito Roces and such other applications as may be filed by other interested applicants."[8]

There was a second motion for reconsideration with the grounds alleged being insisted on anew, under date of October 16, 1961, the matter being extensively discussed in a detailed communication of forty-three pages.[9] With the then Secretary of Agriculture and Natural Resources standing firm in his decision, the question was next submitted on appeal to the President of the Philippines on November 26, 1962.[10] The then Executive Secretary, the late Rufino G. Hechanova, acting by authority of the President, on August 8, 1963, informed plaintiff of his affirmance of the decision of the Secretary of Agriculture and Natural Resources of the previous administration "revoking the lease contract executed in your favor and directing the Director of Lands to reimburse you the amount already paid as advance rental as well as the denial of your subsequent requests for reconsideration. Consequently, your appeal is dismissed for lack of merit."[11]

The next step was the court action with plaintiff as previously indicated obtaining a favorable judgment. It is before us on appeal. As was set forth at the opening of this decision, we cannot uphold the decision of the lower court.

1. The role incumbent upon the judiciary in the appraisal of any administrative action, especially so of a department secretary; has been delineated in our previous decisions. As stressed by Justice Barrera in *Pajo v. Ago*:^[12] "It is a well-recognized principle that purely administrative and discretionary functions may not be interfered with by the courts. In general, courts have no supervising power over the proceedings and actions of the administrative departments of the government. This is generally true with respect to acts involving the exercise of judgment or discretion, and findings of fact."^[13]

It is only when there is a grave abuse of discretion which is equivalent to a "capricious and whimsical exercise of judgment" or "where the power is exercised in an arbitrary or despotic manner by reason of passion, prejudice or personal hostility amounting to an evasion of positive duty, or to a virtual refusal to perform the duty enjoined, or to act at all in contemplation of law" that, as pointed out by Justice Barrera, there is a justification for the courts setting aside the administrative determination reached.^[14]

Such a principle was reiterated in almost identical language in a recent decision penned by Justice Makalintal.^[15] Thus: "The Director based his decision on the evidence thus presented he clearly acted within his jurisdiction. If he had erred in appraising the evidence, the error is one of judgment, but not an act of grave abuse of discretion annulable by writ of certiorari. There is grave abuse of discretion only when there is capricious and whimsical exercise of judgment as is equivalent to lack of jurisdiction, as where the power is exercised in an arbitrary or despotic manner by reason of passion, prejudice or personal hostility amounting to an evasion of positive duty, or to a virtual refusal to perform the duty enjoined, or to act at all in contemplation of law."^[16]

Even the most cursory reading of the exhibits offered by the parties in this case would fail to yield the conclusion that the actuation of defendant Secretary of Agriculture and Natural Resources complained of could be stigmatized as in any wise indicative of a public official giving vent to his personal preferences and predilections motivated by passion, prejudice or personal hostility. Instead, what is clearly revealed was the effort earnestly and sincerely made to appraise with judicious objectivity the rights of the parties but with particular emphasis, as should be the case, on what public welfare demands. In no other way, could the exacting standard implicit in the concept that a public office is a public trust be met.

While not exactly in point, the thought expressed by the then Justice, later Chief Justice, Bengzon in *Ladrera v. The Secretary of Agriculture and Natural Resources*,^[17] as to the responsibility incumbent on the Secretary of Agriculture and Natural Resources in guarding the patrimony of the nation, commends itself for relevance. Thus: "Now, then, because the Secretary has elected to abide by the law expressly requiring the lot to be sold to the highest bidder; and because he refused to sanction what otherwise would inflict a loss of P9,300.00 to the Government; will the courts declare said official to have abused his discretion, and to compel him to sell the lot at P50.00 per hectare? No, indeed that would be requiring him to donate the land, and to squander public money or property. He is authorized to sell; he is not authorized to donate. Knowingly to 'sell' public property at one twentieth of its price is not selling; it is 'donating', and the court will, if called upon to do so, declare such 'sale' to be invalid, because the officer, in 'donating', has exceeded his power to 'sell'."^[18] Necessarily then, with the paramount consideration given to public interest, contracts with government officials are to be scrutinized with care. If not sufficiently mindful of the Common weal, they could rightfully be considered as suffering from congenital infirmity. Parties dealing with the government are put on notice that the scope of discretion allowed public officials as guardians of the community welfare is not unbounded. Its exercise in the ultimate analysis is always subject to the test of conformity with the public good.

The totality of the circumstances disclosed in the present litigation is incompatible with any other assumption except that of a conscientious effort on the part of defendant Secretary to assure that the action taken by him in revoking the lease contract would best subserve public interest. There could then be no grave abuse of discretion. There is this other circumstance of weight. As set forth by the present Chief Justice in *Ramirez v. Court of Appeals*,^[19] there must be an awareness that what is being judicially reviewed in cases of this character is to be attributed not only to "the Department of Agriculture and Natural Resources, but, also, [to] the President of the Philippines", an implication which follows from the fundamental postulate that the acts of department secretaries performed in the regular course of business are, unless they are disapproved or reprobated, presumptively the acts of the Executive.^[20]

2. What further fortifies the stand taken by defendant Secretary of Agriculture and Natural Resources was the express affirmance made by the Executive secretary of a succeeding administration, acting by authority of the President, of the decision revoking the lease contract. If the task of overturning a decision of a department head is attended with difficulty, the burden of persuasion becomes much heavier when the challenged action is before the judiciary encased in the armor of an explicit presidential approval. It would be to cast an undeserved reflection on a coordinate branch of the government to impute to a decision reached by it after a careful study of the facts the vice of unfairness or arbitrariness. Due regard for the principle of separation of powers would caution against such a hasty condemnation. This is not to say that it could not happen. It is merely to emphasize that the facts as stipulated by the parties reject such a conclusion.

Lending support to such a judicial approach is the recognition that must be paid to the constitutional command that the President exercises control over all departments, bureaus and offices.^[21] As was stated by this Court through Justice Padilla: "Moreover, by virtue of the President's power of control over all executive departments, bureaus or offices which 'means the power of an officer to alter, modify or nullify or set aside what a subordinate officer had done in the performance of his duties and to substitute the judgment of the former for that of the latter,' the President may reverse, affirm or modify the decision of the Director of Lands and the Secretary of Agriculture and Natural Resources."^[22] In this case, precisely, a succeeding President, through his Executive Secretary, affirmed the decision reached by a former Secretary of Agriculture and Natural Resources, now challenged in this litigation.

Nor is it to be lost sight of that such presidential affirmance of what was done by a former Secretary of Agriculture and Natural Resources of a past administration reflected the utmost fidelity to a constitutional mandate which is of the very essence of the executive power, namely, his duty to take care that the laws be faithfully executed.^[23] It does not admit of doubt that the Constitution being supreme and paramount is pre-eminently the law that under no circumstance should be disregarded. Its provisions must be complied with, its commands followed. It brooks no evasion. The President then must take care lest by inadvertence or less than full awareness of the realities of the situation what the Constitution ordains is ignored. That is to fail in what is of the essence of executive function, namely the enforcement of and full compliance with the law, primarily the Constitution.

With the explicit declaration that all natural resources belong to the state for the benefit of the Filipino people,^[24] no occupant of the Presidential office can afford to allow a decision of any of his subordinates, including a department secretary, to stand if thereby there is no assurance of their judicious exploitation, development or utilization. That would be to fail in his sworn duty, so fitly emphasized by the Constitution. This is not to say that plaintiff would not be able, if awarded such a lease, to comply with what is expected of him. It is merely to make clear that the appraisal made by the department head, especially one that has subsequently received the approval of the President, as to whether or not a certain party should enjoy such a privilege is not to be interfered with

where, as is so apparent from the facts disclosed, no grave abuse of discretion is shown.

3. The lower court ought to have reached a conclusion affirming the action taken by defendant Secretary of Agriculture and Natural Resources. Proceeding from the premise, however, that plaintiff's contract was undoubtedly a property right coming within the purview of the due process clause of the Constitution, it was its view that plaintiff was denied procedural due process when it was revoked.[25] Thus: "This Court believes that no less than notice and hearing under the circumstances will satisfy due process, and total lack thereof as in the case at bar is a gross illegality and abuse of discretion by an administrative officer from which relief can be obtained upon review by this Court." [26]

That was not the case at all. While the order of revocation of July 5, 1961 by the then Secretary of Agriculture and Natural Resources, Cesar M. Fortich, came without plaintiff having been heard, he did present, however, a motion for reconsideration on August 9, 1961 to which was aided, on August 18, 1961, a twelve-page supporting memorandum.[27] Upon such a pleading being denied on September 12, 1961, he filed, on October 16, 1961, a forty-three-page motion for reconsideration.[28] Then, on November 26, 1962, in his appeal to the President for the reversal of the determination made by the Secretary of Agriculture and Natural Resources, the administration having changed in the meanwhile, the matter was again elaborately discussed in a sixteen-page communication with both the facts and what he considered to be the controlling law extensively discussed.

What we said in *Caltex (Phil.), Inc. v. Castillo*[29] comes to mind. As was there stated: "In its petition for reconsideration before respondent Workmen's Compensation Commission, petitioner did have the opportunity to make vocal its protest against the grant of additional compensation. Moreover, it sought and was heard on oral argument before respondent Workmen's Compensation Commission where the opportunity to discuss such a question was once again afforded it." [30] After which came this portion of the opinion: "It cannot be truthfully said then that it was not heard at all. As this Court had occasion to state once, what is sought to be safeguarded against is not 'lack of previous notice but the denial of opportunity to be heard on the claim.' The due process requirement therefore was not altogether disregarded." [31]

Nor was there a failure to heed the command of substantive due process. This matter was not discussed at all in the lower court decision, but it may not be amiss to consider the question to ascertain whether the action taken by defendant Secretary suffered from such infirmity. Since due process is identified with justice and fairness and thus is opposed to any governmental actuation marked by arbitrariness or caprice, the facts of each particular litigation are decisive. There is no need to refer anew to what did transpire in this suit. It would be to cast a mist on the lens of objective analysis to characterize the actuation of defendant Secretary as a denial of substantive due process being more the expression of a whim rather than the result of a careful and deliberate appraisal of the matter. There was here, to paraphrase Cardozo, no abandonment of reason that led to sheer oppression. There was nothing repugnant to the fundamental concept of justice.[32]

Moreover, the fact that the decision of the department head complained of took place during the Garcia administration, affirmed by the Executive Secretary, acting for the succeeding President, and such actuation defended with zeal and vigor by the then Solicitor General of a still another later incumbent of the Presidential office, certainly possesses a significance that cannot be ignored or disregarded. If it were purely partisan considerations that prevailed, then perhaps a case for substantive due process could have been made out. It was anything but that. What could be discerned in the challenged revocation and its affirmance by another occupant of the highest elective office was a resolute determination to act in accordance with what would best promote public interest. Under such circumstances, there was no deprivation of property tainted by its failure to abide by the peremptory requirement of the due process guarantee.

4. It was likewise the finding of the lower court: "Moreover, this Court agrees with plaintiff's contention that the order of Revocation would be tantamount to an impairment by the government of the obligations of his contract." [33] Even on the assumption that there was an obligation of contract which could not be impaired by law, this portion of the decision now on appeal is likewise open to objection. For it is well-settled that a law within the meaning of this constitutional provision has reference primarily to statutes and ordinances of municipal corporations. [34] Executive orders issued by the President whether derived from his constitutional powers or valid statutes may likewise be considered as such. [35] It does not cover, therefore, the exercise of the quasi-judicial power of a department head even if affirmed by the President. The administrative process in such a case partakes more of an adjudicatory character. It is bereft of any legislative significance. It falls outside the scope of the non-impairment clause. In that sense, the conclusion arrived at by the lower court that the order of revocation was tantamount to a violation of this constitutional guarantee cannot stand the test of scrutiny.

WHEREFORE, the decision of the lower court of May 3, 1966 annulling the order of revocation by defendant Secretary of Agriculture and Natural Resources is reversed. Without pronouncement as to costs.

Reyes, J.B.L., Dizon, Makalintal, Zaldivar, Castro, Villamor, and Makasiar, JJ., concur.

Concepcion, C.J., in the result.

Teehankee, J., on official leave.

Barredo, J., did not take part.

[1] The other defendants named were the Director of Lands, the Sugar Quota Administrator and the Sugar Quota Board.

[2] Decision of the Court of First Instance, Civil Case No. 7813, Annex A, Brief for Appellants, p. 33.

[3] The planter's share of such allotments thus awarded lessee embraced Plantation Nos. 30-4, 30-8c and 30-9c of the Mindoro Mill District.

[4] Partial Stipulation of Facts submitted to the lower court, Exhibits A, K and P.

[5] Ibid., Exhibit S.

[6] Ibid.

[7] Ibid., Exhibits T and U.

[8] Ibid., Exhibit W.

[9] Ibid., Exhibit Y.

[10] Ibid., Exhibit DD.

[11] Ibid., Exhibit FF.

[12] 108 Phil. 905 (1960).

[13] Ibid., p. 915.

[14] Ibid., p. 916.

[15] *Vda. de Calibo v. Ballesteros*, L-17466, September 18, 1965, 15 SCRA 37.

[16] Ibid., pp. 40-41.

[17] 107 Phil. 794 (1960).

[18] *Ibid.*, p. 800.

[19] L-28591, Oct. 31, 1969, 30 SCRA 297.

[20] Cf. *Tecson v. Salas*, L-27524, July 31, 1970 citing *Villena v. Secretary of Interior*, 67 Phil. 451 (1939) and the subsequent cases affirming such a ruling: *Marc Donnelly and Associates v. Agregado*, 95 Phil. 142 (1954); *Cabansag v. Fernandez*, 102 Phil. 152 (1957); *Acting Collector of Customs v. Court of Tax Appeals*, 102 Phil. 244 (1957); *Commissioner of Customs v. Auyong Hian*, 105 Phil. 561 (1959); *People v. Jolliffe*, 105 Phil. 677 (1959); *Demaisip v. Court of Appeals*, 106 Phil. 237 (1959); *Juat v. Land Tenure Administration*, L-17080, Jan. 28, 1961, 1 SCRA 361; *Tulawie v. Provincial Agriculturist of Sulu*, L-18945, July 31, 1964, 11 SCRA 611; *Lacson-Magallanes Co. v. Paño*, L-27811, Nov. 17, 1967, 21 SCRA 895.

[21] The Constitution provides: "The President shall have control of all the executive departments, bureaus, or offices, * * * ." (Art. VII, Sec. 10, par. 1.)

[22] *Ham v. Bachrach Motor Co., Inc.*, 109 Phil. 949, 957 (1960). Cf. *Uichanco v. Secretary of Agriculture*, L-17328, March 30, 1963, 7 SCRA 547.

[23] The President according to the Constitution must "take care that the laws be faithfully executed." (Art. VII, Sec. 10, par. 1)

[24] On the conservation and utilization of the natural resources, this is what the Constitution states: "All agricultural, timber, and mineral lands of the public domain, waters, minerals, coal, petroleum, and other mineral oils, all forces of potential energy, and other natural resources of the Philippines belong to the State, and their disposition, exploitation, development, or utilization shall be limited to citizens of the Philippines, or to corporations or associations at least sixty per centum of the capital of which is owned by such citizens, subject to any existing right, grant, lease, or concession at the time of the inauguration of the Government established under this Constitution. Natural resources, with the exception of public agricultural land, shall not be alienated, and no license, concession, or lease for the exploitation, development, or utilization of any of the natural resources shall be granted for a period exceeding twenty-five years, renewable for another twenty-five years, except as to water rights for irrigation, water supply, fisheries, or industrial uses other than the development of water power, in which cases beneficial use may be the measure and the limit of the grant." (Art. XIII, Sec. 1.)

[25] Decision of the Court of First Instance, Annex A, Brief for the Appellants, p. 37.

[26] *Ibid.*

[27] Partial Stipulation of Facts, Exhibits T and U.

[28] *Ibid.*, Exhibit Y.

[29] L-24657, Nov. 27, 1967, 21 SCRA 1071.

[30] *Ibid.*, p. 1078.

[31] *Ibid.*

[32] Cf. *Ermita-Malate Hotel and Motel Operators Asso. v. City Mayor*, L-24693, July 31, 1967, 20 SCRA 849 and *J. M. Tuason and Co. v. Land Tenure Administration*, L-21064, Feb. 18, 1970, 31 SCRA 413.

[33] Decision of the Court of First Instance, Annex A, Brief for the Appellants, p. 37.

[34] Cf. *New Orleans v. Louisiana Sugar Refining Co.*, 125 US 18 (1888); 1 *Watson on the Constitution*, pp. 805-810.

[35] Cf. *La Perla Cigar and Cigarette Factory v. Capapas*, L-27948 & L-28001-11, July 31, 1969, 28 SCRA 1085; *Hilado v. de la Costa*, 83 Phil. 471 (1949).

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