

PHILIPPINE TOBACCO FLUE CURING AND REDRYING CORPORATION, PETITIONER-APPELLEE, VS. RIZALINO PABLO, DIRECTOR OF THE BUREAU OF COMMERCE, RESPONDENT-APPELLANT.

G.R. No. L-20085. August 08, 1975

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Appeal from a decision of the Court of First Instance of Manila, certified to this Court by the Court of Appeals, pursuant to paragraph 3 (5) of Section 17 of the Judiciary Act, as amended by Section 2 (5) of Republic Act No. 2313, the amount involved being P24,905,579.63.

The record discloses that by Memorandum Agreement dated February 2, 1959,' the Philippine Tobacco Flue Curing and Redrying Corporation, hereinafter referred to as the PTFCRC, a domestic corporation engaged in flue curing and redrying of tobacco leaves, and the Agricultural Credit and Cooperative Financing Administration, ACCFA for short, agreed that the PTFCRC "shall redry, pack and keep in storage all Virginia leaf tobacco delivered by ACCFA to the CORPORATION'S redrying and repacking plant, the same to be done according to standard procedure and usages of the trade, including fumigation of stored tobacco to prevent damage by pests." ACCFA, in turn, agreed to pay the PTFCRC eighteen (P0.18) Centavos per kilo for the redrying and packing of the tobacco and a monthly warehousing fee of Two Pesos and Twenty Centavos (P2.20) per hogshead. To guarantee the faithful performance of the agreement, and to answer for any damage that may be suffered by the ACCFA while the tobacco is in the plant or warehouse of the corporation, the PTFCRC agreed to file a bond in the amount of P200,000.00, which amount "may be increased at the option of the ACCFA as the amount and value of the tobacco delivered to the plant or warehouse of the corporation increases. This agreement shall be ineffect for a period of three (3) years counting from March 1, 1959, and extendible from year to year thereafter, upon mutual agreement of the parties."

On February 26, 1960, the Director of Commerce, through the Bureau's Chief Commission Agent, required the PTFCRC to file an additional bond in the amount of P11,033,334.00, later increased to P12,566,667.22, pursuant to the provisions of the General Bonded Warehouse Act, since the PTFCRC, upon investigation, had allegedly received for storage 50,000 hogsheads of Virginia leaf tobacco valued at P40,000,000 and their records show that the said corporation is only authorized to receive for storage at any one time not more than P2,300,000-00 worth of tobacco, equivalent to 4,000 hogsheads.[2]

In a letter dated March 12, 1960, the PTFCRC, through its legal counsel, informed the Director of Commerce that the said corporation was not engaged in warehousing and storage and, therefore, not subject to the provisions of the General Bonded Warehouse Act.[3] This contention was rejected by the Director of Commerce and the PTFCRC appealed to the Secretary of Commerce and Industry.[4] On May 12, 1960, the Secretary of Commerce and Industry sent a letter to the PTFCRC rejecting its appeal and enjoining it to file the bond required by the Director of Commerce.[5]

In the meantime, the PTFCRC and the ACCFA entered into a new Memorandum Agreement,[6] dated May 19, 1960, by virtue of which the ACCFA agreed to deliver 75% of its tobacco to the premises of the PTFCRC, for the

latter to render and perform all the services required for the curing and treatment of said tobacco until they are ready for the manufacture of cigarettes at the stipulated fee of P2.20 per hogshead. As security for the faithful performance of the undertaking, the PTFCRC shall post and maintain a surety bond in the amount of P700,000.00 in favor of the ACCFA. The Memorandum Agreement entered into by and between the parties on February 2, 1959[7] was expressly declared extinguished, terminated, voided, and superseded by this new Memorandum Agreement.

On June 1, 1960, the PTFCRC received a letter from the Director of Commerce requiring it to file an additional bond of P24,905,579.63 within two (2) days from receipt thereof.[8]

Whereupon, the PTFCRC filed with the Court of First Instance of Manila, a petition for prohibition with a writ of preliminary injunction, against the Director of Commerce, claiming that in requiring it to file an additional bond, the Director of Commerce acted with grave abuse of discretion and in disregard of the law and his jurisdiction, which act would work injustice and cause irreparable injury to the said corporation.

After trial, judgment was rendered (a) declaring that the petitioner PTFCRC "is not engaged in the business of warehousing within the meaning of the General Bonded Warehouse Law insofar as the ACCFA tobacco covered by the contract of May 19, 1960 is concerned, and should not be obliged to file the bond demanded by the respondent; (b) declaring the order of the Director of Commerce requiring the petitioner to file a bond of P24,905,579.63 null and void; and (c) making the writ of preliminary injunction permanent." Hence, this appeal.

The focal issue is whether or not the petitioner-appellee should post an additional bond, as required by the Director of Commerce, pursuant to the provisions of Sections 4 and 5 of Act No. 3893, as amended, otherwise known as the General Bonded Warehouse Act.[9]

The petitioner-appellee claims that the contract entered into between the PTFCRC and the ACCFA is one of services and, therefore, not within the purview of the General Bonded Warehouse Act. The Director of Commerce, upon the other hand, maintains that the petitioner-appellee is a warehouseman and should comply with the provisions of the General Warehouse Act by putting up an additional bond.

As stated in Section 4 of the General Bonded Warehouse Act, the, "bond shall be so conditioned as to respond for the market value of the rice[10] actually delivered and received at any time the warehouseman is unable to return the rice[10a] or to pay its value." The main intention of the lawmaker, in requiring the millers to post the necessary bond "is to give protection to the owner of the commodity against possible abuses (and we might add negligence) of the person to whom the physical control of his properties is delivered." [11]

In the case at bar, the ACCFA had insured its tobacco with the GSIS,¹² and the PTFCRC had been required by the ACCFA to file a performance bond in the amount of P700,000.00, which amount may be increased at the option of the ACCFA as the amount and value of the tobacco delivered to the plant or warehouse of the petitioner-appellee increases, conditioned upon the faithful performance of the agreement and to answer for any damage that may be suffered by the ACCFA while the tobacco is in the plant or warehouse of the petitioner-appellee. It is therefore evident that the ACCFA is amply protected. It would be unreasonable and oppressive to compel the petitioner-appellee to further put up a bond and subject it to the unnecessary burden of the premium incident to such bond.

The ACCFA is now defunct and its functions have been taken over by the Agricultural Credit Administration. This controversy involves the keeping of tobacco, harvested in 1959, for curing and ageing by the petitioner-appellee, which was contracted more than fifteen (15) years ago. Witnesses for the litigants testified that the ageing process takes from 18 to 24 months before the tobacco is sold to the cigarette manufacturers. For

sure, the commodity kept in the premises of the petitioner-appellee for curing and ageing have already been withdrawn and disposed of by the ACCFA, in which case the filing of an additional bond by the petitioner-appellee ceases to be controversial.

UPON THE FOREGOING, the appeal should be, as it is hereby, DISMISSED, without costs.

SO ORDERED.

Makalintal, C.J., Barredo, Aquino, and Martin, JJ., concur.

[1] Exhibit 3.

[2] Exhibit I.

[3] Annex C of the petition.

[4] Annex E of the petition.

[5] Paragraph 12 of the Petition

[6] Exhibit D.

[7] Exhibit 3.

[8] Annex F of the petition.

[9] "Sec. 4. Any person applying for a license to engage in the business of receiving rice for storage shall set forth in the application the place or places where the business and the warehouse are to be established or located and the maximum quantity of rice to be received. The application shall be accompanied by a cash bond or bond secured by real estate or signed by a duly authorized bonding company, the amount of which shall be fixed by the Director of Commerce and Industry at not less than thirty-three and one-third per cent of the market value of the maximum quantity of rice to be received. Said bond shall be so conditioned as to respond for the market value of the rice actually delivered and received at any time the warehouseman is unable to return the rice or to pay its value. The bond shall be approved by the Director of Commerce and Industry before a license shall issue, and it shall be the duty of said Director, before issuing a license under this Act, to satisfy himself concerning the sufficiency of such bond, and to determine whether the warehouse for which such license is applied for is suitable for the proper storage of rice."

"Sec 5. Whenever the Director of the Bureau of Commerce and Industry shall determine that a bond approved by him, is, or for any cause, has become insufficient, he may require an additional bond or bonds to be given by the warehouseman concerned, conforming with the requirements of the preceding section and unless the same be given within the time fixed by a written demand therefor the license of such warehouseman may be suspended or revoked."

[10] replaced by the term "commodity" by Republic Act No. 247.

[10a] replaced by the term "commodity" by Republic Act No. 247.

[11] Vda. de Limjucu vs. Director of Commerce, G.R. No. L-17640, Nov. 29, 1965; 15 SCRA 326.

[12] p. 38, tsn. Session of July 9, 1960.

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