

**EDUARDO J. JALANDONI, PLAINTIFF AND APPELLANT, VS.
NATIONAL RESETTLEMENT AND REHABILITATION
ADMINISTRATION, ET AL., DEFENDANTS AND APPELLEES.**

G.R. No. L-15198. May 30, 1960

Ponente: BARRERA, J.

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BARRERA, J.:

This is an appeal taken by appellant Eduardo J. Jalandoni, in representation of Jaro Machineries and Engineering Co., from an order of the Court of First Instance of Manila, dismissing the complaint in Civil Case No. 31607 of said court.

In answer to the invitation to a public bidding, which was held on October 10, 1955, issued by the National Resettlement and Rehabilitation Administration (NARRA), for the plowing and harrowing of its projects in Wao, Lanao; Maramag, Bukidnon; Tabugon and Cabanban, Negros Occidental; and Buluan, Cotabato, NARRA received the following proposals:

Name of Bidder

Offer for

Total Cost of 1st and 2nd Plowing

and 1st and 2nd Harrowing

Wao, Lanao

3,000 has.

Maramag

Bukidnon

3,000 has.

Tabugon &

Cabanbanan,

Neg. Occ.

4,000 has.

Buluan,

1,000 has.

Cotabato

1. George W. Bachelder

None

None

None

P95.00

2. Guevarra & Sons

None

None

None

P88.00

3. G. A. Machineries, & Engr. Co. Inc.

P129.00

P118.00

None

P117.00

4. Jaro Machineries, & Engr. Co.

None

P105.00

P105.00

None

5. Radiowealth Inc.

None

None

None

P103.30

These offers were made subject to the following conditions expressly imposed by the NARRA, to wit:

"1. The bidder must submit, together with his bid, a list of the farm machinery and equipment he proposes to use in connection with his bid. The list must be duly certified by the manager or the treasurer of the bidding company as to the actual existence of the items therein listed.

"2. The bidder must show evidence or evidences in the form of documents to show that he can finance his operations in connection with his bid.

"3. The rates must be on a per hectare basis: (1) initial plowing (newly-opened land), (2) 1st harrowing, (3) 2nd plowing, (4) 2nd harrowing. It is understood that there must be at least an interval of two weeks between every

plowing and harrowing operation.

"4. The bidder must file a proposal bond which must not be less than 5% of his total bid price, in the form of cash, certified check or certificate of fixed deposit issued by any reputable banking institution, payable to the NARRA or a surety bond issued by a duly licensed and authorized domestic bonding company.

"5. The bidder must state in his bid the number of days within which he proposes to finish his operations in each project.

"6. That awardee or awardees of this bidding must agree, when required, to file a performance bond equal to 10% of the value of the contract which shall be awarded to him as a result of this bidding, in the form of cash, certified check or certificate of fixed deposit issued by any reputable banking institution, payable to the NARRA or a surety bond issued by a duly licensed and authorized domestic bonding company.

"7. The right is reserved to reject any or all bids, to waive informality in the bids received and to accept such bid or bids as may be the most advantageous to the NARRA."

With the favorable recommendation of the Committee on Bids, the Abstract of Bids showing Jaro Machineries & Engineering Co. to be the sole bidder for the Tabugon and Cabanbanan project and the lowest bidder for the Maramag project, was forwarded to the NARRA Board of Directors for approval. In its special meeting of October 27, 1955, however, the Board resolved to reject all the bids, for the reason that the prices offered therein were too high. Later, apparently abandoning the plan to give the work to private contractors, the Board decided to have the land-preparation project undertaken by NARRA itself.

Claiming that the NARRA Board of Directors abused its discretion in rejecting its bids, the Jaro Machineries & Engineering Co. protested to the President of the Philippines. Considering the explanation given by the General Manager of the NARRA, in connection with the aforementioned protest, the President denied the same, as well as the alternative prayer of the Company that, as the NARRA undertook the work in the projects subject of the bidding, it be awarded instead the work on 9,000 hectares out of the 167,000 hectares to be opened by August or October, 1956, under the same conditions of the bid previously rejected by the NARRA. Its request for a reconsideration of the ruling of the President having been denied, appellant Eduardo Jalandoni, proprietor and manager of the Jaro Machineries & Engineering Co., filed with the Court of First Instance of Manila, an action for damages with mandatory and prohibitory injunction against the NARRA and the individual members of its Board of Directors, praying that he be awarded the total sum of P200,000.00 representing unrealized profits, exemplary, nominal, and moral damages, and attorney's fees; that pending final disposition of the case, defendants be compelled "to sign the contract of plowing and harrowing the land-preparation projects of Maramag, Bukidnon, and Tabugon and Cabanbanan, Negros Occidental" in his favor, and that defendants be restrained "from negotiating the work of plowing and harrowing its land-preparation projects in the aforesaid projects to any other bidder to administer them."

Defendants filed a motion to dismiss the complaint, for lack of cause of action, on the ground that in submitting the proposal, plaintiff voluntarily subjected himself to the conditions of such public bidding, among which, is the right of NARRA to reject any and all bids. And as the latter did reject all bids, including those of plaintiff, he cannot now claim to have a cause of action against the NARRA. Furthermore, defendants pointed out that plaintiff failed to comply with the prerequisite conditions in said bidding, i.e., in connection with requirement No. 1—that the bidders submit a list of farm machinery and equipment they proposed to use, plaintiff annotated in his proposal: "Two (2) D-4-present equipment will add as soon as offer is accepted; with respect to the requirement of proof of financial ability, plaintiff wrote: "Reference: P.N.B. certificate if offer is accepted". Defendants contended that this deficiency made his proposal pro-forma. Over plaintiff's opposition, the court dismissed the case. Plaintiff appealed to the Court of Appeals, but upon motion of defendants, the case was elevated to this

Court pursuant to Section 17 of Republic Act No. 296, as amended.

The only question to be resolved in this case is whether the lower court acted correctly in dismissing the complaint, without setting the motion for hearing and allowing the parties to submit further evidence.

There is no doubt that by participating in the public bidding called by the NARRA, plaintiff-appellant submitted himself (through the company owned by him) to the conditions laid down by the former,[1] among which, is the reservation of its right to reject any and all bids to be made therein. The wisdom of this saving clause cannot be questioned. Under a statute requiring contracts to be awarded to the lowest bidder, the authorities charged with the duty to make such award, acting in good faith, may refuse to make the award, if they deem it best for the entity to do so.[2] The discretion given to the authorities on this matter is of such wide latitude that the courts will not interfere therewith, unless it is apparent that it is issued as a shield to a fraudulent award[3]. There is, however, nothing of the sort in the instant case. The rejection of the bids, including those of plaintiff-appellant, was brought about by the alleged unreasonableness of the prices offered, as a direct consequence of which, the Board decided to let the NARRA undertake the work itself. We find nothing fraudulent or improper—and none has been shown—in the Board's desire to effect economy.

Neither can it be contended that the fact that appellant gave the lowest quotation, which was favorably indorsed by the Committee on Bids, created a vested right in favor of the said bidder. Admittedly, the offers were rejected by the Board of Directors. It is clear, therefore, that there having been no meeting of the minds of the parties, there was no perfected contract between them which could be the basis of action against the defendants-appellees.

The presentation by a reliable and responsible bidder of the lowest bid to officials whose duty it is to let the contract to the lowest reliable and responsible bidder, but who have the right and have given notice that they reserve the right to reject any and all bids, does not constitute an agreement that they will make a contract with such a bidder, nor vest in him such an absolute right to the contract as against a higher bidder (*Colorado Paving Co. vs. Murphy*, [CCA 8th] 78 P. 28, 37 LRA (630).)

The mere determination of a public official or board to accept the proposal of a bidder does not constitute a contract (*Smithmeyer vs. United States*, 147 U.S. 342, 37 L. ed. 196, 13 S. Ct. 321); the decision must be communicated to the bidder (*Cedar Rapids Lumber Co. vs. Fisher*, 129 Iowa 332, 105 N.W. 595, 4 LEA [NS] 177.)

No contractual relation can arise merely from a bid, unless by the terms of the statute and the advertisement, a bid in pursuance thereof is, as a matter of law, an acceptance of an offer, wholly apart from any action on the part of the municipality or any of its officers (*Molloy vs. Rochelle*, *supra*.)

Considering that the aforementioned facts are averred in, and evident from the complaint and the annexes thereto, and it appearing that the evidence plaintiff-appellant would present, had a hearing been called for, would not have materially affected or changed the foregoing facts, we find that the lower court committed no error in dismissing the case.[4]

In a memorandum filed by the amicus curiae, we are asked to make a ruling clarifying the powers of a government corporation under Executive Order No. 298, series of 1940, which requires public bidding for government contracts, to reject all bids and then immediately negotiate to enter into contracts, claiming that such a procedure could be a source of dishonesty and discrimination. Conscious of the limitations on the exercise of the powers of this Court exclusively to matters submitted to it for judicial adjudication, we must decline to express our views, and reserve judgment until we are called upon to do so, on an appropriate case properly coming before us. The facts of the instant case, as they appear in the pleading and order of the lower court, do not present such a situation.

Wherefore, the order appealed from, is hereby affirmed, with costs against ther plaintiff-appellant. So ordered.

Paras C. J., Bengzon, Montemayor, Bautista Angelo, Labrador, Concepcion, and Gutierrez David, JJ., concur.
Reyes, J.B.L., J., on leave, took no part.

[1] Leoquinco vs. Postal Savings Bank, 47 Phil., 772.

[2] Molloy vs. New Rochelle, 193 N. Y. 402, 92 N. E. 94, 30 L.R.A. (NS) 126. [3] Borromeo vs. Lanuza, 62 Phil., 512.

[4] See Jamora vs. Blanco, 78 Phil., 497.

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