

**NINOY AQUINO INTERNATIONAL AIRPORT AUTHORITY (NAIAA),
PETITIONER, VS. COURT OF APPEALS, UNITED BUS LINES AND JOSE
M. SILVA, RESPONDENTS.**

G.R. No. 116652. March 10, 2003

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

Being assailed in the present petition for review on certiorari is the decision of the Court of Appeals in CA-G.R. CV No. 27814, “United Bus Lines, et al., v. Ninoy Aquino International Airport Authority.”

The following facts are not in dispute:

By a lease contract executed on November 22, 1963, the Civil Aeronautics Administration (CAA), predecessor of petitioner Ninoy Aquino International Airport Authority (NAIAA), a government instrumentality, leased to respondent United Bus Lines (UBL), a single proprietorship owned by its co-respondent Jose M. Silva (Silva), a portion of the state-owned Lot No. 3270-B-1 under the CAA’s jurisdiction measuring 60,115 square meters which is located at the Manila International Airport (MIA) in Pasay City. The lease was for a term of 25 years at an annual rental of P1,200.00.[1]

Under the lease contract, it was the duty of the lessee UBL to, among other things, put up at its expense a bus terminal and buildings or facilities necessary for the operation of a first class land transportation station serving both as a tourist attraction and the needs of the travelling public in line with plans and specifications to be approved by the lessor.[2]

On the part of the CAA, it warranted that it has good title over the leased premises and bound itself to indemnify UBL for damages and losses the latter might suffer due to any restriction, encumbrance or defect in the former’s rights to the premises.[3]

The lease contract contained a provision on extension of the period of lease under the following circumstances:

- Should the LESSEE, due to war, civil commotion, act of God, or any other cause beyond their control, be prevented from occupying the leased premises or be obliged to give up possession thereof, the rentals hereinabove agreed upon shall abate during the time that the leased premises are not occupied by the LESSEE. It is, however, agreed that during that time, the LESSOR may lease the premises to any person or persons until such days as LESSEE may occupy them, and the terms of this Contract shall be considered as extended for a period of time equal to that during which LESSEE was not in possession of the leased premises. (Emphasis supplied).[4]

On February 2, 1979, the CAA filed a case for unlawful detainer against respondents with the then Pasay City Court, docketed as Civil Case No. 13835, upon the grounds that 1) they committed breach of contract, they having failed to build the bus terminal and other transport facilities in the leased premises and to pay rentals amounting to P1,975.00 as of June 1, 1978, and 2) the CAA needed the premises as relocation site for the Joint Oil Companies

Aviation-Fuel Storage Plant in the interest of safety.[5]

As respondents belatedly filed their answer to the complaint, the Pasay City Court rendered on July 28, 1979 a judgment by default in favor of the CAA, ordering respondents to vacate the leased premises and granting the other reliefs sought by the CAA.[6]

On appeal, the then Court of First Instance of Rizal, Branch 27 in Pasay City, by Decision of October 28, 1981, finding the unlawful detainer complaint to be one for rescission of contract, reversed the city court's decision for having been rendered without jurisdiction.[7] And it found the CAA to be without right to pre-terminate the lease contract with respondents.

Subsequently, however, the CAA and respondents entered into a judicially approved compromise agreement dated May 7, 1982.[8] In said compromise agreement, both parties recognized the existence and effectivity of their November 22, 1963 lease contract, subject to the amendments that 1) the lease be for a period of eight more years from the date of the compromise or an addition of one and half years to the twenty-five-year original term thereof, and 2) such portion within the leased premises needed for the CAA's Joint Oil Companies Aviation-Fuel Storage Plant be replaced or substituted by another property of the CAA. Expressly waived and settled under the compromise were all of the parties' respective claims, causes of action and demands against one another and all issues that arose therefrom.

Less than a year before the expiration of the amended lease contract or on October 6, 1989, respondents filed a complaint, docketed as Civil Case No. 6929, before the Regional Trial Court (RTC) of Pasay City against the CAA's successor agency, the NAIAA (petitioner), for Reformation of Contract and Fixing of Term of Lease.[9]

Alleging that they were deprived of possession of the leased premises for the entire original and extended period of lease due to the presence of squatters in certain portions thereof as well as the adverse claims of ownership from some individuals and entities, respondents charged that petitioner failed to deliver the premises for their full, effective and peaceful enjoyment and possession, thereby rendering the agreed lease term meaningless and necessitating the fixing of a new period for the lessee's benefit. Respondents thus prayed that the lease agreement be reformed so as to have a new term of fifteen years, to start running after the premises are totally cleared by the lessor of any form of disturbance; that all expenses incurred by them as a result of the filing of the suit be deemed as advanced rentals; and that petitioner, together with its officers, employees and representatives, be enjoined from engaging with third persons in any manner which might affect their rights over the premises.

Petitioner denied[10] respondents' claim of dispossession, insisting that it had complied with its duty of placing and maintaining them in complete possession of the entire leased premises. While it asserted that it cleared the leased premises of squatters and other claimants, it nonetheless contended that respondents were estopped from alleging any disturbance of their occupancy prior to May 7, 1982 by virtue of their waiver embodied in the compromise agreement.

And petitioner claimed that respondents failed to utilize the leased premises for the purpose as stipulated under the contract, it noting that they had subleased portions thereof to several entities which devoted the same to uses that deviated from their original intention.

Petitioner sought a counterclaim of P50,000 in litigation expenses incurred due to the "groundless" suit filed by respondents.

Documentary evidence of respondents consisted of the following: Respondent Silva's demand letter dated July 3, 1980[11] asking the CAA administrator to address the adverse claim of ownership of the Estate of Don Antonio Rodriguez on the leased premises in view of incidents which occurred on June 30 and July 1, 1980 where said

estate's representatives informed respondents' personnel of its ownership of the leased premises and even begun construction of improvements thereon; a September 23, 1981 Order[12] of Branch 28 of the Court of First Instance of Rizal-Pasay City in Civil Case No. 9219-P ("The Estate of Don Antonio and Hermogenes Rodriguez, represented by Ms. Judith Rodriguez in her capacity as administratrix of said estate v. Teodoro Santos, et al.") enjoining respondent Silva and others from introducing improvements on the premises; a civil complaint[13] filed by Shepparton Construction and Development Corporation against respondents' sublessees whereby it claimed title to the premises and sought recovery thereof from them; an October 13, 1983 letter[14] to respondent Silva from the MIA personnel in-charge of squatters' relocation, Federico M. Alba, assuring that the premises would be cleared of squatters by December 1983; three letters dated February 1, 1989,[15] November 25, 1989[16] and January 26, 1990[17] from both respondent Silva and his counsel asking the airport general manager to place respondents in full possession of the premises by clearing the same of squatters and other claimants; and two documents pertaining to Silva's application[18] for reactivation of his franchise to operate public utility buses and a pro-forma invoice[19] pertaining to his purchase of 500 units of buses and additional 200 units of taxis.

At the witness stand, respondent Silva related his dispossession of about ninety percent of the premises due to petitioner's inability to keep away a sizeable number of squatters and various entities claiming title thereto.[20] While he maintained that he had built a garage or terminal for his twenty units of taxis in accordance with the lease contract and that the same contract did not prohibit him from subleasing portions of the leased premises, he attributed his partial failure to totally put up first class bus terminal facilities to petitioner's non-performance of its obligation to place the lessee in complete and peaceful possession thereof.[21]

On the other hand, petitioner's evidence consisted mainly of the testimony of Felixberto Calma (Calma), its Commercial Development Officer who was charged with the supervision of petitioner's concessionaires. Calma denied that respondents had been deprived of full possession and enjoyment of the premises, he inviting attention to the sublease by them of portions thereof to establishments operating a restaurant, supermarket, barber shop and tailoring shop.[22] And he maintained that by 1983 petitioner's personnel had cleared the premises of squatters who began entering them in 1980; that although there were still a few remaining squatters in the premises, their occupancy did not affect respondents' business;[23] and that respondent Silva was no longer operating buses and taxis, and since the structures on the premises were empty, he did not know if they were being utilized or developed for a transportation terminal.[24]

Branch 113 of the Pasay City RTC rendered judgment in favor of respondents by decision[25] of May 31, 1990, the dispositive portion of which read as follows:

WHEREFORE, after having thus considered the evidence on record, testimonial and documentary, the Court hereby renders judgment as follows:

- The period (sic) the lease contract is declared extended for another TEN (10) years from the date of the finality of this decision;
- The rental to be paid to the defendant is now P10,000.00 annually for the entire area leased;
- The counterclaim is dismissed. (Underscoring supplied).

On appeal by petitioner, the Court of Appeals affirmed the trial court's decision.[26] Like the trial court, it found evidence supporting respondents' main averment that respondent UBL was dispossessed of certain portions of the leased premises starting in 1980 up to the expiration of the amended contract in 1990, hence, it applied the earlier quoted paragraph 7 of the contract providing for the extension of the lease for such period as the lessee is deprived of possession of the premises.

Hence, the present petition for review on certiorari[27] faulting the Court of Appeals:

. . . IN SUSTAINING THE TRIAL COURT'S FINDING THAT RESPONDENTS ARE ENTITLED TO A TEN-YEAR EXTENSION OF THEIR LEASE CONTRACT WITH PETITIONER.

In the main, petitioner contends that respondents are not entitled to any extension of the lease in light of their failure to accomplish the very purpose of the lease agreement; that respondents had not been deprived of possession of the premises, but even if they were with respect to certain portions thereof, they waived their right to raise the issue of dispossession in the May 7, 1982 compromise agreement with petitioner; that paragraph 7 of the lease contract providing for extension of the lease applies only where the lessee is totally dispossessed of the premises; and that the extension of the period of lease in favor of respondents impairs petitioner's freedom of contract and is manifestly oppressive for being indefinite, the same having been decreed to start from the date of finality of the trial court's judgment.

The jurisdiction of this Court over cases brought to it from the Court of Appeals is limited to a review of questions of law since the factual conclusions thereon are as a rule conclusive.[28] There are of course exceptions to this rule, but none obtains in the case at bar to warrant a scrutiny of the Court of Appeals conclusions which are supported by the evidence on record[29] and carry even more weight, it having affirmed the trial court's factual conclusions.[30]

The dispossession of respondent UBL from certain portions of the leased premises for an approximately ten-year period from 1980 to 1990 due to incursions of squatters and other claimants is an established fact based not only upon respondents' evidence but also upon the admissions to that effect by petitioner's own witness Calma.[31] In accordance with the lease contract then, the term of the lease should be extended for such period as the lessee was deprived of possession of the premises.

Regardless of the extent of dispossession, whether total or partial, the provision on extension of term applies since the lessee's failure to use a portion of the leased premises is equivalent to a dispossession from the entire area in question, the agreement of the parties being precisely the lease of the whole 60,115 sq. m. of petitioner's lot at the Manila International Airport.

By the terms of the contract then, petitioner's obligation to deliver to respondent UBL the entire leased premises and maintain the latter in peaceful, uninterrupted possession was indivisible. When respondent UBL could not occupy and use portions of the leased premises, it was in effect deprived of possession thereof for there was incomplete performance by the petitioner of its principal prestation, thereby calling for the application of the contractual provision on extension of term.

A contract is the law between the parties and courts have no choice but to enforce such contract so long as it is not contrary to law, morals, good customs or public policy.[32] Nothing appears objectionable in the lease contract between respondents and petitioner such that the latter is no less bound by its terms and conditions like any other private person or entity that is party to a contract.

Contrary to petitioner's contention, by no means did respondents through the May 7, 1982 compromise agreement waive their right to raise the issue of their dispossession from the leased premises. The said compromise clearly stated that what the parties waived were all issues or questions which arose out of or were connected with petitioner's unlawful detainer case against respondents. Respondents' failure to have full possession of the premises through no fault of their own was definitely not an issue that was asserted or touched upon in both the unlawful detainer case and in the compromise agreement subsequently executed.

While this Court upholds the trial court's and appellate court's ruling that respondent UBL is entitled to a

ten-year extension of the period of lease, it does not uphold that which reckons the period from the date of finality of the decision of the trial court. If that were the case, respondent UBL would hold on to the leased premises for a period longer than it is entitled under the ten-year extension, thereby virtually rendering nugatory petitioner's right of ownership over the premises.

The extension must thus begin on the day following the May 7, 1990 termination of the amended lease contract or on May 8, 1990, to last for a 10-year period or up to May 8, 2000. Since respondents have in fact been in continuous and uninterrupted possession of the premises since the promulgation of the trial court's decision of May 31, 1990 and during the pendency of the case at bar, they have already occupied the premises in the exercise of their adjudged right to the extension for the full period of ten years.

The judgment of the trial court is thus now deemed enforced.

As for petitioner's countercharge that respondents did not comply with their obligation as lessee, the same had not been sufficiently proven. On the contrary, evidence shows that respondents built a garage for respondent Silva's taxis. And while respondents did sublease portions of the premises to several persons, there was no express prohibition on the matter in the lease contract, hence, there was no violation[33] thereof.

WHEREFORE, the assailed decision of the Court of Appeals is hereby **AFFIRMED** with the modification that the ten-year extension of the term of the lease granted in favor of respondents should be reckoned from May 8, 1990, and as respondents had continuously been in possession of the leased property during the pendency of this case, their right to the extension or up to May 8, 2000 had been enforced. The lease contract between petitioner and respondents is now, therefore, deemed terminated.

SO ORDERED.

Puno, (Chairman), Panganiban, and Sandoval-Gutierrez, JJ., concur.
Corona, J., on leave.

[1] Records, Exhibit "A" at 64-68.

[2] Id. at 65.

[3] Id. at 66.

[4] Id. at 65.

[5] Records at 20-24.

[6] Id. at 33-35.

[7] Id. at 36-40.

[8] Id., Exhibit "B," at 41-43.

[9] Records at 44-56.

[10] Records at 101-110.

[11] Id., Exhibit "D," at 73-74.

[12] Records, Exhibit "F" at 77.

[13] Id., Exhibit "G" at 78-85.

- [14] Id., Exhibit “K” at 143.
- [15] Id., Exhibit “E” at 75-76.
- [16] Id., Exhibit “L” at 144.
- [17] Id., Exhibit “N” at 152.
- [18] Id., Exhibit “I” at 87.
- [19] Id., Exhibit “J” at 88.
- [20] TSN, October 20, 1989 at 1-16.
- [21] TSN, October 23, 1989 at 1-13.
- [22] TSN, October 27, 1989 at 1-15.
- [23] Ibid.
- [24] TSN, October 27, 1989 at 2-4; April 2, 1990 at 11-12.
- [25] Records at 165-168.
- [26] CA Rollo at 141-150.
- [27] Rollo at 7-36.
- [28] Villaluz v. Court of Appeals, 278 SCRA 540 [1997].
- [29] Heirs of Tan Eng Kee v. Court of Appeals, 341 SCRA 740 [2000].
- [30] Borromeo v. Sun, 317 SCRA 176 [1999].
- [31] TSN, October 27, 1989 at 1-15.
- [32] Heirs of Juan San Andres v. Rodriguez, 332 SCRA 769 [2000].
- [33] New Civil Code, Art. 1650.

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