

**MACTAN-CEBU INTERNATIONAL AIRPORT AUTHORITY,
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS, AND AIR
TRANSPORTATION OFFICE, PETITIONERS, VS. MILAGROS URGELLO,
RESPONDENT.**

G.R. NO. 162288. April 04, 2007

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

Respondent, Milagros Urgello, was the owner of Lot No. 913-E of the Banilad Estate in Cebu City, covered by Transfer Certificate of Title No. 10873.[1] Lot No. 913-E was subdivided into four parcels, Lot No. 913-E-1, Lot No. 913-E-2, Lot No. 913-E-3, and Lot No. 913-E-4.[2]

Sometime in the 1950s, the then Civil Aeronautics Administration (CAA) filed a complaint before the then Court of First Instance of Cebu to expropriate Lot No. 913-E-3 for the projected expansion of the Lahug Airport.

The case reached the Court of Appeals in which, on joint motion of the parties, a judgment based on a compromise agreement was rendered on July 27, 1964.[3] In that agreement, the CAA agreed to purchase Lot No. 913-E-3 for P3,105.00, subject to the resolutive condition that in the event that the Republic of the Philippines would no longer use it as an airport, its title or ownership would revert to respondent or her heirs upon reimbursement of the purchase price of P3,105.00.[4]

Respondent thus executed a Conditional Deed of Sale incorporating the resolutive condition, which deed was annotated on respondent's TCT No. 10873.[5]

It appears that on April 27, 1966, the Mactan Airport commenced its operations and the Philippine Airlines stopped using the Lahug Airport. Filipinas Airways and Air Manila ceased too to use the Lahug Airport at the end of 1966 and thereafter used the Mactan Airport. [6]

On August 2, 1983, the Bureau of Air Transportation (BAT) by which the CAA was later known, and the Bureau of Equipment of the then Ministry of Public Works and Highways (MPWH), entered into a Memorandum of Agreement whereby the BAT was to lease several parcels of land, including Lot No. 913-E-3, to MPWH for 25 years to be used as the site of the latter's Seventh Regional Base Shop Complex.[7]

The MPWH soon started building fences along the perimeters of Lot No. 913-E-3.[8]

After the dismantling of the hangars and taxiways from the Lahug Airport and putting up of a repair shop of the Bureau of Equipment of the MPWH, the BAT erected a fence, over the objection of respondent, enclosing portions of her Lot Nos. 913-E-2 and 913-E-4.[9]

Respondent thus filed on June 5, 1983 before the Regional Trial Court (RTC) of Cebu a Complaint for Injunction with Damages against the BAT and the G.M. Tiongco Construction Company (Tiongco Construction), docketed as Civil Case No. CEB-3908. Tiongco Construction in turn impleaded the MPWH as third-party defendant.[10]

Subsequently, respondent, by letter of July 8, 1985, requested the BAT for the reconveyance to her of Lot No. 913-E-3 and tendered RPB Demand Draft No. 148284 in the amount of P3,105.00.[11] The BAT received the draft, but it did not reconvey the lot, prompting respondent to file on August 9, 1985 a Complaint[12] for Reconveyance with Damages against it before the RTC of Cebu City, docketed as Civil Case No. CEB-4115.

In the meantime or on December 20, 1985, the MPWH filed a Complaint[13] for Eminent Domain against respondent and four others, docketed as Civil Case No. CEB-4541, for the expropriation of Lot No. 913-E-4, among other lots.

Branch 6 of the Cebu RTC later rendered judgment[14] in Civil Case No. CEB-4115 (respondent's Complaint for Reconveyance of Lot No. 913-E-3), by Decision of January 3, 1989, holding that the resolutive condition stipulated in the Compromise Agreement forged between the then CAA and respondent "€ basis of the July 27, 1964 judgment of the Court of Appeals "€ had taken place. The dispositive portion of the decision reads:

Wherefore, judgment is rendered, ordering the defendant Bureau of Air Transportation to reconvey to the plaintiff Milagros E. Urgello that parcel of land, Lot No. 913-E-3, subject of the conditional Deed of Sale, after payment [sic] by the latter of the sum of P3,105.00 as repurchase price. The plaintiff's claim for damages as well as the defendant's counterclaims are dismissed. No costs.[15] (Emphasis and underscoring supplied)

On November 29, 1989, then President Aquino issued a Memorandum[16] directing the transfer of the general operations of Lahug Airport to the Mactan International Airport before the end of 1990 and the closure of the Lahug Airport thereafter.

On July 31, 1990, Republic Act No. 6958,[17] the Charter of herein petitioner Mactan-Cebu International Airport Authority (MCIAA), was signed into law.

On January 21, 1991, Branch 6 of the RTC Cebu rendered a decision[18] in Civil Case No. CEB-3908 (respondent's Complaint for Injunction against the BAT and Tiongco Construction questioning the enclosure of portions of her Lot Nos. 913-E-2 and 913-E-4, in which complaint MPWH impleaded Tiongco Construction as a third-party defendant) approving a Compromise Agreement entered into on January 17, 1990 by respondent on one hand, and the Republic of the Philippines, represented by the BAT which later became known as Air Transportation Office (ATO), and the Department of Public Works and Highways (DPWH) and Tiongco Construction on the other. The pertinent provisions of the Compromise Agreement read:

- DPWH obligates itself to immediately demolish at its own expense the concrete wall which it built traversing plaintiff's Lot [No.] 913-[E]-2 and Emerald Street in order to provide access to plaintiff's properties.

x x x x

- Plaintiff hereby agrees to sell and DPWH agrees to purchase Lot No. 913-E[-4] . . . covering an area of One Thousand One Hundred Ninety Nine (1,199) square meters of plaintiff's lot, particularly Lot No. 913-E-4-A, at the agreed price of Six Hundred Fifty Pesos (P650.00) per square meter or a total of Seven Hundred Seventy Nine Thousand Three Hundred Fifty Pesos (P779,350.00).

x x x x

- It is understood that DPWH and ATO will comply with the Decision rendered on January 3, 1989 by the Regional Trial Court, Branch VI, Cebu City in Civil Case No. CEB-4115 entitled "Milagros Urgello vs. Republic of the Philippines" for reconveyance of Lot No. 913-E-3.

- In view of the Decision of January 3, 1989, plaintiff agrees to sell and the DPWH agrees to purchase Lot [No.] 913-E-3 consisting of One Thousand Thirty Five (1,035) square meters at the agreed price of Six Hundred Fifty Pesos (P650.00) per square meter or for the total amount of Six Hundred Seventy Two

Thousand Seven Hundred Fifty Pesos (P672,750.00).

- To avert future litigations, the parties hereby waive all their respective demands, claims, counterclaims, and third-party claims against one another with respect to the matters treated in this Agreement.

- The DPWH hereby agrees to withdraw its complaint for eminent domain [covering Lot No. 913-E-4, among other lots] filed against plaintiff in Civil Case No. 4541 before the Regional Trial Court, Branch XVII, Cebu City entitled "Republic of the Philippines vs. Milagros Urgello, et. al." Public defendant likewise agrees to withdraw the appeal it had filed in Civil Case No. 4115 entitled "Milagros Urgello vs. Republic of the Philippines" (BAT, now ATO) [for reconveyance of Lot No. 913-E-3].^[19] (Emphasis and underscoring supplied)

On March 11, 1991, the Republic of the Philippines filed a Manifestation^[20] in Civil Case No. CEB-4541 (the eminent domain case filed by the then MPWH covering, among other lots, Lot No. 913-E-4) signifying its conformity to the January 17, 1990 Compromise Agreement.

Respondent, relying on the Manifestation in open court of Atty. Agustino Hermoso of the DPWH Regional Office about the availability of funds already appropriated for her properties, demanded the payment for Lot Nos. 913-E-3 and 913-E-4, and the demolition of the concrete wall around Lot No. 913-E-2, as agreed upon in the January 17, 1990 Compromise Agreement.^[21] The DPWH ignored respondent's demands, however, prompting her to file on June 18, 1993 in her complaint for Injunction (Civil Case No. CEB-3908) a Motion for the Issuance of Writ of Execution against the DPWH to enforce its obligation under the said Compromise Agreement.^[22] The motion was granted and a Writ of Execution^[23] was issued on July 28, 1993 and served upon the DPWH, but it was unenforced per Sheriff's Return of Service^[24] dated November 17, 1993.

The DPWH having failed to comply with its undertakings under the January 17, 1990 Compromise Agreement which was approved on January 21, 1991 in Civil Case No. CEB-3908 (respondent's Complaint for Injunction), respondent filed on October 15, 1996 before the Cebu RTC a Complaint^[25] for Reconveyance^[26] with damages and attorney's fees against

herein petitioners DPWH and ATO,^[27] docketed as CEB-19418, the subject of the present petition, praying that judgment be rendered

- Ordering defendants jointly and severally to immediately reconvey to plaintiff Milagros A. Urgello:
 - Lot No. 913-E-4-A without any condition;
 - Lot No. 913-E-3 upon plaintiff's payment [sic] to the defendants of the sum of P3,105.00 as repurchase price;
 - Directing defendant DPWH to immediately demolish at its own expense the concrete wall which it built traversing plaintiff's Lot No. 913-E-2 and Emerald Street, Lahug, Cebu City, which has obstructed plaintiff's access to her other properties;
 - Enjoining defendants to solidarily pay plaintiff reasonable rent for their unlawful occupation of Lot No. 913-E-3 since 1950 and of Lot No. 913-E-4-A since 1990 which deprived plaintiff of any beneficial enjoyment thereof;
 - Alternatively, requiring defendants to solidarily and immediately pay plaintiff the amount of P1,452,100.00 (plus interest computed at 12% per annum from 1990) by way of just compensation for Lot Nos. 913-E-3 and 913-E-4-A pursuant to the judgment based on the Compromise Agreement;
 - Commanding defendants to solidarily pay plaintiff:
- c. Moral damages of P1,000,000.00;

d. Actual damages of P 100,000.00;

e. Attorney's fees of P 300,000.00;

- Affording plaintiffs such other reliefs just and equitable in the premises.[28] (Emphasis and underscoring supplied)

In its Answer,[29] petitioner DPWH questioned respondent's failure to exhaust administrative remedies and to serve upon the Office of the Solicitor General a copy of the complaint, and the jurisdiction of the trial court.

As for petitioner ATO, it posited in its Answer[30] that only the DPWH should be held liable for non-compliance with the Compromise Agreement dated January 17, 1990 — basis of the January 21, 1991 RTC Decision in respondent's Complaint for Injunction, claiming that:

. . . [T]his Compromise Agreement dated January 17, 1990 is, as cited by plaintiff[-herein respondent] in paragraph 20 of her complaint, the one [which was] entered into by and between her and defendants DPWH and ATO in Civil Cases Nos. 3908 (RTC Br. VI), 4115 (RTC Br. VI) and 4541 (RTC Br. VII) involving Lot Nos. 913-E-2, 913-E-3, and 913-E-4-A, and whatever is the reason behind co-defendant DPWH's neglect or failure to undertake what it assumed as its sole obligation under this Compromise Agreement, which is all that has given rise to the present suit, defendant ATO is not privy to it, has no knowledge about it and should not be made to answer for it;

. . . [T]he obligation of defendant ATO under the Compromise Agreement dated 17 January 1990, above cited, ceased when, in that same document, . . . co-defendant [DPWH] assumed as its sole obligation the following: 1) to demolish at its own expense a concrete wall which it built traversing plaintiff's Lot No. 913-[E]-2 and Emerald Street to provide access to plaintiff's properties; and 2) to unconditionally pay plaintiff for the lots sold by plaintiff to the former, to wit: P779, 350.00 as payment for Lot No. 913-E-4-A (1,199 sq. m.); and P672,750.00 — as payment for Lot No. 913-E-3 (1035 sq. m.);

x x x x

. . . [F]or plaintiff[-herein respondent] to pursue her old cases against defendant after the parties in those cases covered by the Court-approved Compromise Agreement dated January 17, 1990 are supposed to have already waived all their respective demands, claims, counterclaims and third-party claims is for her to drag all the defendants there into an absurdity: the revival of those demands, claims, counterclaims and third-party claims so needless when all plaintiff needs to do is focus her attention on the one party defendant which reneged on what it assumed as its sole obligation under the same compromise agreement.[31] (Emphasis and underscoring supplied)

In support of its claim, the ATO argued that:

. . . ATO Mactan, as now established and constituted, is one of the nine (9) airport cluster centers or area offices of defendant Air Transportation Office created and established pursuant to DOTC Department Order No. 92-569 dated January 21, 1992, and was actually established only sometime January 1993, some two years, more or less, after the Mactan-Cebu International Airport Authority (MCIAA) was formally and officially constituted on December 18, 1990 pursuant to Republic Act No. 6958 (the MCIAA charter);

. . . [B]y virtue of RA 6958, MCIAA became the airport operating authority in Cebu, to the exclusion of defendant ATO, and the role of defendant ATO in Cebu has since been confined only to the operation and maintenance of air-traffic-service and air-navigation-service facilities at Mactan International Airport, although it does exercise a separate role in supervising the management, operation and maintenance of the following satellite airports: Dumaguete Airport in Negros Oriental, Tagbilaran Airport and Ubay Airport in Bohol and Siquijor Airport in Siquijor;[32]

x x x x

. . . [I]t is clear from the . . . provisions of RA 6958 (the MCIAA Charter) that the judgment prayed for by plaintiff in her complaint, including reconveyance by defendant ATO, jointly and severally with co-defendant Department of Public Works and Highways, of Lot Nos. 913-E-3 and 913-E-4-A, cannot be done anymore insofar as defendant ATO is concerned, at least not without the inclusion of MCIAA as a proper party, if it is not [sic], in fact, as defendant believes, an indispensable party, since "all assets, powers, rights, interests and privileges relating to airport works or airports" both at Mactan International Airport and at the old Lahug Airport have already been assumed in ownership and/or administration by MCIAA, to the exclusion and substitution of defendant ATO, by virtue of MCIAA's authority and missions under RA 6958 creating it;[33] (Emphasis and underscoring supplied)

Respondent later filed with leave and approval of the trial court an Amended Complaint[34] impleading herein petitioner MCIAA as a party defendant[35] and incorporating a prayer for the payment of rentals should reconveyance of her properties (Lot Nos. 913-E-3 & 913-E-4-A) be denied.[36]

MCIAA, in its Answer with Counterclaim to the Amended Complaint,[37] raised the following defenses:

Plaintiff[herein respondent] merely seeks the enforcement of [the January 17, 1990] Compromise Agreement of which defendant MCIAA is not a party thereto. Defendant is a total stranger and is a separate and distinct personality from its co-defendants DPWH and ATO. Defendant MCIAA should not therefore be made solidarily liable for the non-fulfillment of the terms of the compromise agreement including those that may arise therefrom.

As can be gleaned from the complaint, Lot [No.] 913-E-3 was no longer possessed by co-defendant ATO when RA 6958 took effect. In fact, co-defendant ATO did not make any formal turn over of this lot and its obligations in the alleged Compromise Agreement to defendant MCIAA. Defendant MCIAA could not therefore be compelled to assume the liabilities and obligations of co-defendant ATO in said compromise agreement.

Granting arguendo that defendant MCIAA assumed the obligations and liabilities of co-defendant ATO by virtue of RA 6958, the only obligation of co-defendant ATO is to comply with the Decision rendered on January 3, 1989 by the Regional Trial Court, Branch VI, Cebu City in Civil Case No. Ceb-4115 entitled "Milagros Urgello vs. Republic of the Philippines" for reconveyance of Lot No. 913-E-3. By virtue of said decision, the said lot was [sic] already reconveyed to the plaintiff were it not for the obligation of co-defendant DPWH to purchase the same as stipulated in the Compromise Agreement. This being the case, ownership over Lot No. 913-E-3 was never acquired nor transferred to defendant MCIAA.[38] (Emphasis and underscoring supplied)

By Decision of March 10, 1999, Branch 22 of the RTC Cebu disposed as follows:[39]

WHEREFORE, in view of the foregoing, judgment is hereby rendered:

- Ordering defendants DPWH, MCIAA, and ATO to solidarily reconvey Lot No. 913-E-3 to plaintiff without anymore need of paying the repurchase price of P3,105.00 as it was paid already;
- Ordering the defendants DPWH, MCIAA, and ATO to solidarily return to plaintiff Lot No. 913-E-2 and Lot No. 913-E-4 (including Lot No. 913-E-4-A);
- Ordering defendants DPWH, MCIAA, and ATO to solidarily pay rentals on Lot No. 913-E-3 at the rate of P20.00 square meter per month from July 8, 1985 to the present; however, for defendant MCIAA, payment hereof shall be reckoned from August 15, 1990 only;
- Ordering defendants DPWH, MCIAA, and ATO to solidarily pay rentals on Lot No. 913-E-2 and Lot No. 913-E-4 at the rate of P20.00 per square meter per month from January 1, 1985 to the present; however, in the case of defendant MCIAA, payment hereof shall be reckoned from August 15, 1990 only;

- Directing defendants DPWH, MCIAA, and ATO to solidarily demolish the fence traversing Lot No. 913-E-2 at their own expense;
- Ordering defendants DPWH, MCIAA, and ATO to solidarily pay plaintiff attorney's fees in the amount of P300,000.00.

No costs.[40] (Emphasis, italics, and underscoring supplied)

In holding petitioners solidarily liable, the trial court explained:

[T]his Court hereby declares that the reconveyance of Lot [No.] 913-E-3 is a solidary obligation of all three (3) defendants — DPWH, MCIAA, and ATO.

Defendant DPWH is obliged to reconvey because as the evidence of the case would show, said defendant is the one presently in possession and occupation of the property being the lessee thereof by virtue of the questionable Memorandum of Agreement it entered into with BAT.

Defendant MCIAA is also obligated to reconvey on the ground that it is the legal custodian of the lot by virtue of R.A. 6958 creating the MCIAA and transferring to it all the assets of the Lahug Airport.

While it may be seriously argued that based on the evidence on record, there was no turnover of any facilities to defendant MCIAA yet, under the express provision of Sec. 15 R.A. 6958, defendant MCIAA is constituted as the legal transferee of all facilities, lands, buildings, and other properties of the Lahug Airport, a division of ATO. It provides, "All existing public airport facilities, runways, lands, buildings and other properties, movable or immovable, belonging to or presently administered by the airports...are hereby transferred to the Authority." Construing the letter of this provision, there is no denying that legally and technically, defendant MCIAA is the present administrator-custodian of all the assets, facilities, and properties (including Lot No. 913-E-3) of the Lahug Airport.

Moreover, upon the transfer to and acceptance by MCIAA of these assets, facilities, properties, etc., it likewise assumed the liabilities and obligations of ATO which includes the reconveyance of Lot No. 913-E-3 to its owner her resolatory condition [sic]. This assumption of liabilities and obligations of ATO is specifically provided in Section 17 of the same law, which says:

Sec. 17. Transfer of Liabilities and Debts. — Upon the transfer to and acceptance by the authority of the existing physical facilities, intangible assets and completed projects referred to in the preceding sections, all debts, liabilities, and obligations of government agencies or entities concerned, intangible assets and completed project within the airports shall likewise be assumed by the authority.

The language of the aforecited provision is very clear, and there can never be doubt that MCIAA is obligated technically to reconvey plaintiff's lot.

This Court likewise believes that defendant ATO has also an obligation (jointly and severally with the other defendants) to effect the reconveyance of the property to the plaintiff. This is anchored on the fact that considering that there was no turnover of any facilities, properties, lands, buildings, etc. by it to defendant MCIAA, defendant ATO is still the open exercising custody and administration over the properties.

On the demand for the return of Lot No. 913-E-[2] and Lot No. 913-E-4 to plaintiff, this Court finds the same to be meritorious.

As shown in the records, the aforementioned lots were never included in the expropriation proceedings over Lot No. 913-E-3. These lots, without the plaintiff's consent, were unilaterally taken by the government when BAT fenced the same. Such an act violates the constitutional mandate that "[Private] property shall [not] be taken for public use without just compensation" (Section 9, Art. III, Constitution). Likewise, it is deprivation of property without due process of law. [Is it] not that justice and equity demand that what is not yours should be returned to

its rightful owner?

Corollary to this, the return of Lot No. 913-E-4 necessarily includes Lot No. 913-E-4-A that was the subject of another expropriation complaint (Civil Case No. 4541) which ended up in a compromise agreement and a Decision based thereon. . . .

To recall, one of the provisions of the said compromise agreement was the sale of Lot No. 913-E-4-A to the government at P779,350.00. However, as the evidence would show, the government did not pay the said amount for unexplained reasons. Said failure consequently abrogated the whole compromise agreement; and there is now created an obligation on the part of the government to return the property to its owner, plaintiff herein.

As in the case of Lot No. 913-E-3 (expropriated), the reconveyance/return of Lot No. 913-E-2 and Lot No. 913-E-4 is a solidary obligation of all the defendants for the same reasons as already discussed earlier.

For the unauthorized use of Lot No. 913-E-3 after the Lahug Airport was abandoned and after plaintiff tendered her repurchase price, and for the illegal encroachment and occupation of Lot No. 913-E-2 and Lot No. 913-E-4 by the government, this Court likewise finds as valid the demand of plaintiff for rentals on the aforementioned lots.

It is an undenial fact that the government has benefited from the use, occupation, and possession of these lots; while on the other hand, the plaintiff herein has suffered from the deprivation thereof. Again, if we are to live by the sway and dominance of justice, it would thus be equitable that plaintiff be compensated by the government in the form of rentals, at least, for after all, no one, not even the government, is exempted in the eyes of the law.

Payment of [the] rentals should be a joint and several obligation of all the defendants. . . .

The liability of defendant DPWH rests on the facts [sic] that it is the one which has been in possession and occupation of these properties. Whereas in the case of defendant ATO, said defendant through the then BAT was the one which illegally constructed the fence enclosing the properties. Besides, because it failed to turnover its facilities, properties, lands, buildings, etc. to defendant MCIAA, it is still the administrator and custodian of all these litigated lots.

Upon the other hand, the obligation of defendant MCIAA finds its basis in R.A. 6958, wherein under this law, specifically Sections 15 and 17 thereof, defendant MCIAA is supposed to be administering and managing all the facilities, lands, buildings, and other properties of defendant ATO. The fact that it has not received even a single property from defendant ATO does not relieve it from such obligation because the law (R.A. 6958) is quite specific. Besides, defendant MCIAA should be doing its job.

x x x x

On plaintiff's demand for the abolition of the fence traversing her Lot No. 913-E-2, the Court hereby directs defendants DPWH, MCIAA, and ATO to jointly and severally demolish the same at their own expense.

The illegal construction of said fence has made the government a builder in bad faith under Article 450 of the Civil Code[41] (Emphasis and underscoring supplied)

On appeal,[42] the Court of Appeals, by Decision[43] dated February 17, 2004, affirmed the decision of the trial court.

Hence, the present Petition for Review on Certiorari[44] filed by MCIAA, DPWH, and ATO positing that:

- RESPONDENT'S MONEY CLAIM MUST BE FILED WITH THE COMMISSION ON AUDIT (COA).
- PETITIONER MCIAA IS NOT OBLIGED TO RECONVEY LOT NOS. 913-[3]-2, 913-E-3, AND 913-E-4.

- PETITIONER MCIAA IS NOT OBLIGED TO PAY RENTALS FOR THE USE OF THE LOTS.
- PETITIONER MCIAA IS NOT OBLIGED TO DEMOLISH THE FENCE TRAVERSING LOT [NO.] 913-E-2.[45] (Emphasis and underscoring supplied)

It bears emphasis that in rendering the appealed judgment, all that the trial court did was find petitioners liable, providing the bases therefor.

Contrary to petitioners DPWH's and ATO's undertakings in the January 17, 1990 Compromise Agreement, they failed to reconvey Lot No. 913-E-3 to respondent despite her return of the purchase price therefor. Such failure amounts to expropriation without just compensation.

DPWH and the ATO should thus be held solidarily liable to reconvey Lot No. 913-E-3 to respondent and pay rentals therefore effective July 8, 1985 when she tendered/returned the P3,105.00 purchase price.[46]

Since respondent's cause of action against the ATO with regard to Lot No. 913-E-3 refers to its retention of title thereto despite the occurrence of the resolutory condition stipulated in the Conditional Deed of Sale, MCIAA's liability would depend on whether it is ATO's successor-in-interest with respect to the said lot. Both the trial court and the appellate court held in the affirmative on the basis of Republic Act 6958, Section 15 which reads:

SECTION 15. Transfer of Existing Facilities and Intangible Assets. — All existing public airport facilities, runways, lands, buildings and other properties, movable or immovable, belonging to or presently administered by the airports, and all assets, powers, rights, interest and privileges relating to airport works or air operations, including all equipment which are necessary for the operation of air navigation, aerodrome control towers, crash, fire, and rescue facilities are hereby transferred to the Authority: Provided, however, That the operational control of all equipment necessary for the operation of radio aids to air navigation, airways communication, the approach control office, and the area control center shall be retained by the Air Transportation Office. No equipment, however, shall be removed by the Air Transportation Office from Mactan without the concurrence of the Authority. The Authority may assist in the maintenance of the Air Transportation Office equipment,

and of Section 17 which is requoted for convenience, viz:

SECTION 17. Transfer of Liabilities and Debts. — Upon the transfer to and acceptance by the Authority of the existing physical facilities, intangible assets and completed projects referred to in the preceding sections, all debts, liabilities, and obligations of government agencies or entities concerned in respect of such physical facilities, tangible assets and completed projects within the airports shall likewise be assumed by the Authority. (Emphasis and underscoring supplied)

Petitioners claim, however, as follows:

. . . The provision is clear that it is only upon the transfer to and acceptance by petitioner MCIAA of a particular physical facility or property that petitioner MCIAA will assume the obligations of petitioner ATO over the facility or property.

x x x x

[I]t is only upon the transfer to and acceptance by petitioner MCIAA of the lots can it be said that it assumed the obligations of petitioner ATO over the lots.[47] (Underscoring in the original; emphasis supplied)

To MCIAA, the phrase "upon transfer to and acceptance by" means that a formal turnover to it of a particular facility by the ATO and a formal acceptance by it are required before it assumes the obligations of the ATO thereover. It argues that since ATO never turned over Lot No. 913-E-3 to it, it cannot be compelled to assume ATO's obligation to reconvey the same.[48]

Section 15 of Republic Act No. 6958 is clear, however, that upon its passage, all existing airport facilities and other properties were thereby transferred to MCIAA, viz:

All existing public airport facilities, runways, lands, buildings and other properties, movable or immovable, belonging to or presently administered by the airports, and all assets, powers, rights, interest and privileges relating to airport works or air operations, including all equipment which are necessary for the operation of air navigation, aerodrome control towers, crash, fire, and rescue facilities are hereby transferred to the Authority: (Emphasis supplied)

It is a settled rule in statutory construction that

The law must not be read in truncated parts; its provisions must be read in relation to the whole law. It is [a] cardinal rule in statutory construction that a statute's clauses and phrases must not be taken as detached and isolated expressions, but the whole and every part thereof must be considered in fixing the meaning of any of its parts in order to produce a harmonious whole. Every part of the statute must be interpreted with reference to the context, i.e., that every part of the statute must be considered together with other parts of the statute and kept subservient to the general intent of the whole enactment.[49]

Section 17 of Republic Act No. 6958 must thus be read vis a viz Section 15 as well as the other provisions of the said law. In *Mactan-Cebu International Airport Authority v. Hon. Ferdinand J. Marcos, et al.*, [50] this Court, passing on Sec. 15 of Republic Act No. 6958, held:

The "airports" referred to [in Section 15] are the "Lahug Air Port" in Cebu City and the "Mactan International Airport in the Province of Cebu," which belonged to the Republic of the Philippines, then under the Air Transportation Office (ATO).

It may be reasonable to assume that the term "lands" refer to "lands" in Cebu City then administered by the Lahug Air Port and includes the parcels of the land the respondent City of Cebu seeks to levy on for real property taxes. This section involves a "transfer" of the "lands," among other things, to the petitioner and not just the transfer of the beneficial use thereof, with the ownership being retained by the Republic of the Philippines.

This "transfer" is actually an absolute conveyance of the ownership thereof because the petitioner's authorized capital stock consists of, inter alia, "the value of such real estate owned and/or administered by the airports." Hence the petitioner is now the owner of the land in question. . . . "[51] (Emphasis and underscoring supplied)

Thus, Republic Act No. 6958 transferred Lot No. 913-E-3 to MCIAA.

In another vein, Section 3 of Republic Act No. 6958 states:

Primary Purposes and Objectives – The [Mactan-Cebu International Airport] Authority shall principally undertake the economical, efficient, and effective control, management and supervision of the Mactan International Airport in the Province of Cebu and the Lahug Airport in Cebu City hereinafter collectively referred to as airports, and such other airports as may be established in the Province of Cebu. In addition, it shall have the following objectives:

- (a) To encourage, promote, and develop international and domestic air traffic in the central Visayas and Mindanao regions as a means of making the regions centers of international trade and tourism, and accelerating the development of the means of transportation and communications in the country; and
- (b) To upgrade the services and facilities of the airports and to formulate internationally acceptable standards of airport accommodation and service. (Emphasis supplied)

If formal transfer and acceptance of the assets mentioned in Section 15 were needed before MCIAA could assume

the obligations arising therefrom, the "economical, efficient and effective control, management and supervision" of the Mactan International Airport and the Lahug Airport could be impeded by ATO refusing to turn over, and by MCIAA refusing to accept such assets.

MCIAA is thus bound, as ATO's successor-in-interest, to reconvey Lot No. 913-E-3. And it is solidarily liable with its co-petitioners to pay rentals in arrears over the said lot.

In light of petitioners' argument that:

. . . While it is true that R.A. 6958 was signed into law on July 31, 1990, it is equally true that Section 21 of the law provides for its effectivity fifteen (15) days after its publication in at least two (2) national newspapers of general circulation, and not fifteen (15) days from its approval. It was wrong for both courts to assume, without supporting evidence, that R.A. 6958 was published in two (2) national newspapers of general circulation on the same day it was signed into law. (Emphasis in the original; underscoring supplied),[52]

this Court fixes the effectivity date of the said law to November 13, 1990, 15 days after it was published in the Official Gazette.[53]

MCIAA may not be solidarily liable with DPWH and ATO, however, for the return of Lot Nos. 913-E-2 and 913-E-4 and for the payment of rentals thereon. These obligations of the DPWH and the ATO arose from their illegal physical possession of the said lots up to the present. What Republic Act No. 6958 transferred from the ATO to MCIAA are the properties owned or administered by the ATO, not those physically possessed by the ATO.

Finally, since the acts and omissions of the ATO and the DPWH are what compelled respondent to litigate, only they should be held liable for the payment of attorney's fees.

WHEREFORE, the petition is in PART GRANTED. The decision of the Court of Appeals, which affirmed the decision of the trial court, is MODIFIED. As modified, the dispositive portion of the decision reads:

- Petitioners Department of Public Works and Highways, Mactan-Cebu International Airport Authority, and Air Transportation Office are ordered to solidarily reconvey Lot No. 913-E-3 to respondent;
- Petitioners DPWH, MCIAA, and ATO are ordered to solidarily pay rentals on Lot No. 913-E-3 at the rate of P20 per square meter per month from July 8, 1985 up to the present. Payment of rentals on the part of MCIAA shall, however, be reckoned from November 13, 1990;
- Petitioner DPWH is ordered to demolish the fence traversing Lot No. 913-E-2;
- Petitioner DPWH is ordered to return to respondent Lot Nos. 913-E-2 and 913-E-4;
- Petitioner DPWH and ATO are ordered to solidarily pay rentals on Lot Nos. 913-E-2 and 913-E-4, from January 1, 1985 up to the present; and
- Petitioners ATO and the DPWH are ordered to solidarily pay attorney's fees in the amount of P300,000.00.

SO ORDERED.

Quisumbing, (Chairperson), Carpio, Tinga, and Velasco, Jr., JJ., concur.

[1] Exhibits "A" and "A-2," records, pp. 331-332.

[2] Exhibit "G," id. at 355.

[3] Exhibit "B," id. at 334-338.

[4] Id. at 337.

[5] Exhibit "A-1," id. at 331.

[6] Vide *Escaño v. Court of Appeals*, G.R. No. L-47207, September 25, 1980, 100 SCRA 197, 199-200 where this Court noted as follows: "In the meantime, or on April 27, 1966, the Mactan Airport commenced its operation and the Philippine Airlines stopped using the Lahug Airport. Filipinas Airways and Air Manila ceased to use the Lahug Airport at the end of 1966 and thereafter used the Mactan Airport." In an order dated September 14, 1998, (records, p. 416), the Regional Trial Court Branch 22 of Cebu City, which decided the case under review, admitted a copy of the *Escaño v. Court of Appeals* ruling (Exhibit "C," id. at 339-344) as part of herein respondent's evidence (id. at 327).

[7] Exhibit "D," id. at 345-347; vide id. at 161-162.

[8] Id. at 162.

[9] Exhibit "H," id. at 359.

[10] Id. at 127-128.

[11] Exhibit "E," id. at 348.

[12] Exhibit "F," id. at 349-354.

[13] Exhibit "I," id. at 362-370.

[14] Exhibit "G," id. at 355-358.

[15] Id. at 358.

[16] Exhibit "W," id. at 407.

[17] Exhibit "V," Id. at 400-406.

[18] Exhibit "J," id. at 371-374.

[19] Id. at 371-372.

[20] Exhibit "K," id. at 375-377.

[21] Exhibits "L" & "M," id. at 378-382.

[22] Exhibit "N," id. at 383-388.

[23] Exhibit "O," id. at 389-392.

[24] Exhibit "P," id. at 393; vide Exhibits. "Q," "R," "S," "T," and "U," id. at 394-397.

[25] Id. at 1-17.

[26] Sec. 6 of Rule 39 contemplates an action for revival of judgment. Thus it provides:

Execution by motion or by independent action. "A final and executory judgment or order may be executed on motion within five (5) years from the date of its entry. After the lapse of such time, and before it is barred by the statute of limitations, a judgment may be enforced by action. The revived judgment may also be enforced by motion within five (5) years from the date of its entry and thereafter by action before it is barred by the statute of limitations."

A judgment based on a compromise is immediately final and executory, hence, prescription runs from the date of rendition. (Jacinto et al. v. Intermediate Appellate Court, G.R. No. L-66478, August 29, 1988, 164 SCRA 739, 745)

In the case at bar, the judgment based on a compromise was rendered on January 21, 1991. (Underscoring supplied)

[27] Although the present petition is captioned "Mactan-Cebu International Airport Authority (MCIAA) Department of Works and Highways and Air Transportation Office vs. Milagros Urgello," the Republic of the Philippines is the petitioner in this case. The Republic of the Philippines was the defendant before the court of origin and the appellant before the Court of Appeals. The Amended Complaint before the court of origin states:

Plaintiff, by counsel, most respectfully states:

x x x x

- That defendant Republic of the Philippines is herein sued through the following:

a) the defendant Department of Public Works and Highways (DPWH), its agency/instrumentality with principal office at Bonifacio Drive, Metro Manila and its Regional Office at Salinas Drive, Lahug, Cebu City, where it maybe served with summons and other court processes;

b) the defendant Air Transportation Office (ATO) which is a functionary or branch of the Philippine Government which formerly operated the Lahug Airport in Cebu City, with principal office at Pasay City, Metro Manila, but with a Regional Office at the Mactan International Airport, Lapu-lapu City, where it may be served with summons and other court processes;

c) the defendant Mactan-Cebu International Airport Authority (MCIAA) which is a branch of the Philippine Government formally constituted on 18 December 1990 pursuant to Republic Act No. 6958. Defendant MCIAA is sued pursuant to Section 3, RA 6958 which mandates it to "principally undertake the economical, efficient and effective control, management and supervision of the Mactan International Airport in the Province of Cebu and Lahug Airport in Cebu City." Said defendant can be served summons and other processes from this Honorable Court at the Mactan International Airport, Lapu-Lapu City; (id. at 157-158, underscoring in the original)

[28] Id. at 15-16.

[29] Id. at 108-115.

[30] Id. at 94-98

[31] Id. at 97-98.

[32] Id. at 95.

[33] Id. at 97.

[34] Id. at 155-174.

[35] Id. at 158.

[36] Id. at 158, 172-173.

[37] Id. at 285-288.

[38] Id. at 286-287.

[39] Id. at 437-443.

[40] Id. at 443.

[41] Id. at 439-442.

[42] Id. at 435-436.

[43] Penned by then Court of Appeals Presiding Justice Cancio C. Garcia, with the concurrence of Associate Justices Renato C. Dacudao and Danilo B. Pine; CA rollo, pp. 113-132.

[44] Rollo, pp. 9-25.

[45] Id. at 16.

[46] Exhibit "E," records, p. 348.

[47] Rollo, p.19.

[48] Vide CA rollo, p. 48.

[49] Civil Service Commission v. Joson, Jr., G.R. No. 154674, May 27, 2004, 429 SCRA 773, 786.

[50] 330 Phil. 392 (1996).

[51] Id. at 418-419.

[52] Rollo, p. 20.

[53] Exhibit "V," records, pp. 400-406; Article 2, Civil Code provides: "Laws shall take effect after fifteen days following the completion of their publication either in the Official Gazette, or in a newspaper of general circulation in the Philippines, unless it is otherwise provided."

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