

THE HEIRS OF SPOUSES DOMINGO TRIA AND CONSORCIA CAMANO TRIA, PETITIONERS, VS. LAND BANK OF THE PHILIPPINES AND DEPARTMENT OF AGRARIAN REFORM, RESPONDENTS.

G.R. No. 170245. July 01, 2013

Ponente: PERALTA, J.

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PERALTA, J.:

Before this Court is a Petition for Review on Certiorari under Rule 45 of the Rules of Court assailing the Amended Decision[1] of the Court of Appeals (CA), dated October 25, 2005.

The facts follow.

During their lifetime, the deceased spouses Domingo Tria and Consorcía Camano owned a parcel of agricultural land located at Sangay, Camarines Sur, with an area of 32.3503 hectares.

By virtue of Presidential Decree (PD) No. 27, which mandated the emancipation of tenant-farmers from the bondage of the soil, the Government, sometime in 1972, took a sizeable portion of the deceased spouses' property with a total area of 25.3830 hectares. Thereafter, respondent Department of Agrarian Reform (DAR) undertook the distribution and eventual transfer of the property to thirty tenant-beneficiaries. In due time, individual Emancipation Patents were issued by respondent DAR in favor of the tenant-beneficiaries. Pursuant to Section 2 of Executive Order (EO) No. 228, respondent Land Bank of the Philippines (LBP) made an offer on November 23, 1990 to pay petitioners, by way of compensation for the land, the total amount of P182,549.98, broken down as follows: P18,549.98 of which would be in cash, and the remaining P164,000.00 to be satisfied in the form of LBP Bonds.[2]

Not satisfied with the LBP's valuation of their property, petitioners rejected their offer and filed a Complaint before the Regional Trial Court (RTC) of Naga City claiming that the just compensation for their property is P2,700,000.00.

During trial, petitioners filed a Motion for Partial Judgment praying that respondent LBP pay them the amount of P182,549.98 pursuant to its previous offer. Hence, the RTC issued a Partial Judgment[3] on December 22, 1992 ordering respondent LBP to pay the amount of P182,549.98.

Consequently, respondent LBP filed a Motion for Reconsideration against said Partial Judgment on the ground that the RTC's Order for it to immediately pay the amount of P182,549.98 is not in accord with the provisions of Section 3 of EO No. 228 which requires payment of just compensation partially in cash and gradually through LBP Bonds.

Hence, the RTC issued an Order[4] granting respondent LBP's motion for reconsideration, to wit:

WHEREFORE, partial judgment is hereby rendered ordering Defendant Land Bank of the Philippines to pay the "Heirs of Domingo Tria and Consorcía Camano" the following amounts:

- EIGHTEEN THOUSAND FIVE HUNDRED FORTY-NINE and 98/100 (P18,549.98) PESOS, Philippine Currency, plus interest earned from investment securities at the shortest time and at the highest rate possible in accordance with Executive Order No. 12; and
- ONE HUNDRED SIXTY-FOUR THOUSAND (P164,000.00) PESOS, Philippine Currency, plus interest thereon at market rates of interest that are aligned with 90-day treasury bill rates, computed from date of approval of the claim of the said spouses.

This partial judgment shall be without prejudice to further proceedings to determine the just compensation and other claims due the Heirs of the deceased Spouses Domingo Tria and Consorcia Camano as provided by law.

In compliance with the RTC's Order, respondent LBP paid petitioners the total amount of P309,444.97 in the form of manager's checks, and the amount of P43,524.00 in the form of LBP Bonds, representing the cash portion with interest earned from investment securities, and bond payment of the just compensation for the expropriated property, respectively.[5]

In the course of the proceedings, the RTC appointed three Commissioners to compute and recommend to the court the just compensation to be paid for the expropriated property.

In their report, each of the three Commissioners adopted a different formula in their valuation for the expropriated property: (1) the Commissioner representing respondent LBP adopted the mode of computation provided under EO No. 228; (2) the Commissioner representing petitioners adopted the Sales Value Analysis Formula; and (3) the Commissioner representing the trial court used the Assessor's Schedule of Value Formula.

In order to resolve the differences in their computation, the Commissioners obtained the average of their respective valuations and made a final recommendation of P1,151,166.51 for the entire expropriated property.

However, neither the parties nor the RTC found the computation of the Commissioners acceptable. Resultantly, in a Decision[6] dated August 23, 1995, the RTC made its own computation by using the formula used by the Commissioner representing the LBP with the slight modification that it used the government support price (GSP) for one cavan of palay in 1994 as multiplier.

Not in conformity with the RTC's ruling, respondents interposed an appeal before the CA.

On March 31, 2004, the CA rendered a Decision[7] affirming the RTC's ruling. It held that the formula and computation adopted by the RTC are well in accord with the working principles of fairness and equity, and likewise finds ample support from the recent pronouncement of the Supreme Court on the matter of determination of just compensation.

Nevertheless, upon a motion for reconsideration filed by respondents, the CA reversed itself and issued an Amended Decision[8] dated October 25, 2005, reversing its earlier ruling favoring the RTC's decision.

In its Amended Decision, the CA heavily relied in the *Gabatin v. Land Bank of the Philippines*[9] (*Gabatin*) ruling wherein this Court fixed the rate of the GSP for one cavan of palay at P35.00, the value of the corresponding produce at the time the property was taken in 1972.

Accordingly, petitioners filed before this Court a petition for review on certiorari assailing the Amended Decision rendered by the CA. Petitioners, therefore, cite the following arguments in their petition:

- JUST COMPENSATION IS A JUDICIAL ISSUE NOT AN ADMINISTRATIVE ISSUE.
- IF APPLYING THE PROVISIONS OF EO NO. 228 WOULD RESULT TO UNJUST COMPENSATION, THE DISTINCTION BETWEEN ACTUAL TAKING AND ACTUAL PAYMENT WOULD BE OF NO

MOMENT AND IRRELEVANT.

- RIGHT TO PROPERTY IS A FRAMEWORK OF A WELL-ORDERED SOCIETY AND THIS COURT MUST PROTECT IT FROM CONFISCATION WITHOUT JUST COMPENSATION.

- THE COURT'S ASSERTION OF ITS ROLE AS THE FINAL ARBITER OF INDIVIDUAL'S RIGHTS GUARANTEED BY THE CONSTITUTION AGAINST GOVERNMENT OPPRESSION FAR OUTWEIGHS ANY FINANCIAL RIPPLE THAT MAY BE CAUSED BY OVERTURNING THE DOCTRINE IN GABATIN V. COURT OF APPEALS.

- THE AWARD BY THE TRIAL COURT IN 1995 MUST BE INCREMENTED WITH INTEREST OF 12% PER ANNUM.[10]

Ultimately, this Court is called upon to determine the issue of whether or not the CA erred in ruling that the valuation of the property for purposes of determining just compensation should be based on the GSP at the time the property was taken in 1972, in accordance with the Gabatin case.

Petitioners insist that the CA erred in relying on the case of Gabatin. They assert that the true guidepost in property taking, whether under the police power of the state or under its eminent domain, is "just compensation."

Petitioners maintain that the jurisprudential definition of just compensation means just and complete equivalent of the loss which the owner of the property expropriated has to suffer by reason of it. Hence, they argue that the valuation offered by respondent LBP at P9,243.50 per hectare in 1972 could have represented the fair market value of its landholdings had the same been actually paid in that same year. However, since the same was never really paid, it would be totally unjust if the valuation offered by respondent LBP in 1972 be paid in 1995.

Conversely, respondent LBP contends that the CA correctly ruled in ordering the RTC to compute and fix the just compensation for the expropriated agricultural lands, strictly in accordance with the mode of computation prescribed in the Gabatin case. It stresses that when EO No. 228 fixed the basis in determining the value of the land using the GSP for one cavan of palay on October 21, 1972 at P35.00, it was merely in cognizance of the settled rule that just compensation is the value of the property at the time of the taking.

For its part, respondent DAR supports respondent LBP's contention that the CA did not commit reversible error when it reconsidered its decision and remanded the case to the court of origin for the determination of just compensation based on the formula set forth in the Gabatin case.

We find for petitioners.

In *Land Bank of the Philippines v. Pacita Agricultural Multi-Purpose Cooperative, Inc.*, [11] we ruled that since the Gabatin case, this Court had already decided several cases in which it found more equitable to determine just compensation based on the GSP of palay at the current price or the value of said property at the time of payment. In this case, the Court used the standard laid down in Section 17 of Republic Act No. 6657 [12] (RA No. 6657) as a guidepost in the determination of just compensation in relation to the GSP of palay, viz.:

In *Gabatin v. Land Bank of the Philippines*, the formula under Presidential Decree No. 27, Executive Order No. 228 and A.O. No. 13 was applied. In *Gabatin*, the crux of the case was the valuation of the GSP for one cavan of palay. In said case, the SAC fixed the government support price (GSP) of palay at the current price of P400 as basis for the computation of the payment, and not the GSP at the time of taking in 1972. On appeal therein by respondent Land Bank of the Philippines, the Court of Appeals reversed the ruling of the SAC. The case was then elevated to this Court, wherein therein petitioners set forth, inter alia, the issue of whether just compensation in kind (palay) shall be appraised at the price of the commodity at the time of the taking or at the time it was ordered paid by the SAC. The Court declared that the reckoning period should be the time when the

land was taken in 1972, based on the following ratiocination.

x x x x

Since Gabatin, however, the Court has decided several cases in which it found it more equitable to determine just compensation based on the value of said property at the time of payment, foremost of which is *Land Bank of the Philippines v. Natividad*, cited by the Court of Appeals in its Decision assailed herein.

In *Natividad*, the parcels of agricultural land involved were acquired from their owners for purposes of agrarian reform on 21 October 1972, the time of the effectivity of Presidential Decree No. 27. Still, as late as the year 1993, the landowners were yet to be paid the value of their lands. Thus, the landowners filed a petition before the trial court for the determination of just compensation. The trial court therein ruled in favor of the landowners, declaring that Presidential Decree No. 27 and Executive Order No. 228 were mere guidelines in the determination of just compensation. Said court likewise fixed the just compensation on the basis of the evidence presented on the valuation of the parcels of land in 1993, not the value thereof as of the time of the acquisition in 1972. Therein petitioner Land Bank of the Philippines sought a review of the Decision of the trial court before this Court. This Court found that the petition for review of therein petitioner Land Bank of the Philippines was unmeritorious, to wit:

Land Bank's contention that the property was acquired for purposes of agrarian reform on October 21, 1972, the time of effectivity of PD 27, ergo just compensation should be based on the value of the property as of that time and not at the time of possession in 1993, is likewise erroneous. In *Office of the President, Malacañang, Manila v. Court of Appeals*, we ruled that the seizure of the landholding did not take place on the date of effectivity of PD 27 but would take effect on the payment of just compensation.

Under the factual circumstances of this case, the agrarian reform process is still incomplete as the just compensation to be paid private respondents has yet to be settled. Considering the passage of Republic Act No. 6657 (RA 6657) before the completion of this process, the just compensation should be determined and the process concluded under the said law. Indeed, RA 6657 is the applicable law, with PD 27 and EO 228 having only suppletory effect, conformably with our ruling in *Paris v. Alfeche*. [416 Phil. 473.]

x x x x

It would certainly be inequitable to determine just compensation based on the guideline provided by PD 27 and EO 228 considering the DAR's failure to determine the just compensation for a considerable length of time. That just compensation should be determined in accordance with RA 6657, and not PD 27 or EO 228, is especially imperative considering that just compensation should be the full and fair equivalent of the property taken from its owner by the expropriator, the equivalent being real, substantial, full and ample.[13]

In *Meneses v. Secretary of Agrarian Reform*, the Court applied its ruling in *Natividad*. x x x On the issue of the payment of just compensation, the Court adjudged:

x x x x

As previously noted, the property was expropriated under the Operation Land Transfer scheme of P.D. No. 27 way back in 1972. More than 30 years have passed and petitioners are yet to benefit from it, while the farmer-beneficiaries have already been harvesting its produce for the longest time. Events have rendered the applicability of P.D. No. 27 inequitable. Thus, the provisions of R.A. No. 6657 should apply in this case.

In the even more recent case, *Lubrica v. Land Bank of the Philippines*, the Court also adhered to *Natividad*, viz.:

The *Natividad* case reiterated the Court's ruling in *Office of the President v. Court of Appeals* [413 Phil. 711] that the expropriation of the landholding did not take place on the effectivity of P.D. No. 27 on October 21, 1972 but seizure would take effect on the payment of just compensation judicially determined.

Likewise, in the recent case of *Heirs of Francisco R. Tantoco, Sr. v. Court of Appeals* [489 SCRA 590], we held that expropriation of landholdings covered by R.A. No. 6657 takes place, not on the effectivity of the Act on June 15, 1988, but on the payment of just compensation.[14]

Additionally, in the more recent case of *Land Bank of the Philippines v. Heirs of Maximo Puyat and Gloria Puyat*,[15] the Court again adhered to the ruling laid down in the abovementioned case. Here, the Court ruled that when the government takes property pursuant to PD No. 27, but does not pay the landowner his just compensation until after RA No. 6657 has taken effect in 1998, it becomes more equitable to determine just compensation using RA No. 6657 and not EO No. 228. Hence, the valuation of the GSP of palay should be based on its value at the time it was ordered paid by the SAC.

Considering that the present case involves a similar factual milieu as the aforementioned cases, the Court deems it more equitable to determine just compensation due the petitioners using values pursuant to the standard laid down in Section 17 of RA No. 6657.

Here, the property of the deceased spouses was placed under the land reform program in October 1972, and since then the land was parceled out and distributed to some 30 tenant-beneficiaries by respondents without effecting immediate and prompt payment. Clearly, the tenant-beneficiaries have already benefited from the land, while petitioners wait in vain to be paid. Unfortunately, it was only 19 years after the land was distributed by respondents that there was an action on the part of respondents to pay petitioners.

Also worth emphasizing is the observation made by the RTC –

What the Court considers as unfair, however, is that portion of Section 2 of Executive Order No. 228 which fixed at P35.00 the price per cavan of 50 kilos of palay, which amount was the government support price for palay in 1972 when P.D. No. 27 took effect. What made the said portion of Executive Order No. 228 unfair and unjust is the fact that the landowner was not paid in 1972 and he has been deprived of his 25% share in the net harvest since 1972, until now.

Eduardo Ico, the [C]ommissioner representing the defendant Land Bank of the Philippines, modified the formula prescribed in Executive Order No. 228, by getting the average of the following values: (1) the total value of the land based upon the government support price of P35.00 with interest of six (6%) per cent per annum, compounded annually from 1972 until 1994; and (2) the total value of the land based upon the present government support price of P300.00 per cavan.

The Court finds that the said modification of the formula has no basis in fact and in law. To let the value of the land earn interest of 6% per annum would be fair enough had the price of palay remained the same. The fact, however, was that the price of palay had increased 857 times from 1972 to 1994, whereas 6% interest would mean only an increase of 138 times from 1972 to 1995. The Court does not see the justification for getting the average between the government support prices in 1972 and in 1995.[16]

Needless to say, petitioners have been deprived of the use and dominion over their landholdings for a substantial period of time, while respondents abjectly failed to pay the just compensation due the petitioners.

WHEREFORE, in light of the foregoing, the Petition for Review on Certiorari is GRANTED. The Amended Decision of the Court of Appeals dated October 25, 2005 is hereby REVERSED and SET ASIDE, and the Decision of the Regional Trial Court, dated August 23, 1995, is hereby AFFIRMED and REINSTATED.

SO ORDERED.

Velasco, Jr., (Chairperson), Abad, Mendoza, and Leonen, JJ., concur.

July 22, 2013

NOTICE OF JUDGMENT

Sirs/Mesdames:

Please take notice that on ____July 1, 2013____ a Decision, copy attached herewith, was rendered by the Supreme Court in the above-entitled case, the original of which was received by this Office on July 22, 2013 at 2:30 p.m.

Very truly yours,

(SGD)

LUCITA ABJELINA SORIANO

Division Clerk of

Court

[1] Penned by Associate Justice Rosmari D. Carandang, with Associate Justices Eugenio S. Labitoria and Martin S. Villarama, Jr. (now a member of this Court), concurring; rollo, pp. 42-46.

[2] Id. at 48-49.

[3] Id. at 62-63.

[4] CA rollo, pp. 74-76.

[5] Rollo, p. 50.

[6] Id. at 56-61.

[7] Id. at 47-55.

[8] Id. at 42-46.

[9] 486 Phil. 366 (2004).

[10] Rollo, pp. 23, 29, 33-35, 38

[11] G.R. No. 177607, January 19, 2009, 576 SCRA 291, 306.

[12] AN ACT INSTITUTING A COMPREHENSIVE AGRARIAN REFORM PROGRAM TO PROMOTE SOCIAL JUSTICE AND INDUSTRIALIZATION, PROVIDING THE MECHANISM FOR ITS IMPLEMENTATION, AND FOR OTHER PURPOSES, Effective June 10, 1988.

x x x x

Sec. 17. Determination of Just Compensation. – In determining just compensation, the cost of acquisition of the land, the current value of like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, and the assessment made by government assessors shall be considered. The social and economic benefits contributed by the farmers and farm workers and by the Government to the property as well as the non-payment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation. (Emphasis supplied)

[13] Emphases supplied.

[14] *Land Bank of the Philippines v. Pacita Agricultural Multi-Purpose Cooperative, Inc.*, supra note 11, at 306-309.

[15] G.R. No. 175055, June 27, 2012.

[16] *Rollo*, pp. 58-59. (Emphasis supplied.)

SEPARATE OPINION

LEONEN, J.:

I maintain my position that the value for purposes of just compensation should be the fair market value at the time of the taking but the amount to be paid must be the present value of the amount that should have been paid. The amount to be paid must therefore take into consideration inflation, among other pertinent factors. This is what is meant by the various cases cited in the ponencia that the amount to be given is the value of the property “at the time the payment is made.”[1]

The concept of just compensation in agrarian reform is the same as just compensation in all types of taking.[2] The landowner should be paid the present value of the fair market value of the land at the time of the actual taking of the property.[3] Just compensation is computed at the time of the taking because it replaces the value of the rights to property removed from the owner.

The fair market value of the property is the outcome of market perceptions. Such taking will also have an effect on the fair market value of adjoining properties. At that instance, the taking on the part of the government may have already caused other properties that are located near the property to depreciate in value. Hence, the value of the property itself naturally decreases after the property has been definitively taken by government.[4] To index the just compensation to be paid to the owner on the fair market value of the property at the time of the payment will be to needlessly penalize the owner. This is not what our Constitution mandated in Article III, Section 9.

I am also of the view that the Constitution provides that the determination of just compensation, particularly the determination of fair market value, is an inherent judicial function.[5] That discretion cannot be curtailed by legislation. Hence, the formulas contained in various agrarian reform laws should be merely recommendatory to the trial court determining just compensation.[6] Each case must be approached by the trial judge with sensitivity to the specific local market in which it is found and in accordance with the general guidance given by our jurisprudence.[7] This valuation of the fair market value must be done on a case-to-case basis. The totality of the circumstances must be fully appreciated in determining the value of the property. This is in the interest of making certain that the landowners are ensured of their rights under the Constitution.

With that, I am of the opinion that there is a need to provide a method of determination of just compensation. This is particularly true for the Special Administrative Court (SAC) in agrarian reform, which is explicitly mandated in Republic Act No. 6657, as amended by Republic Act No. 9700. This definitive method of determination will ensure that courts will have a proper jurisprudential guideline that is provided by the judiciary itself, and not one imposed by the legislative or the executive branches of government.

I propose that when the courts undertake the determination of just compensation in eminent domain cases, this determination should undergo two different stages. This applies when a significant amount of time has lapsed between the time of taking and the time of payment.

The first stage requires ascertaining the fair market value of the subject property, as earlier mentioned. This requires determining the value of the property at the time of the taking. Among other factors, this includes the due consideration of the applicability of formulas found in the law and administrative guidelines, tax declarations and the like. In agrarian reform cases, such as the present case before this Court, I propose that the provisions on social justice in the 1987 Constitution[8] on agrarian reform should serve as definitive qualitative standards to ascertain the determination of the fair market value which should be paid to the landowner.

The second stage of determining just compensation is finding the present value of the fair market value at the time of the taking. When the law said payment should be based on “fair market value at the time of taking.” ideally, the property owner should also be paid at the time of taking. This would give true meaning to the Constitutional phrase of “just compensation.” It is only just that at the instance the owner is deprived of the property, government compensates the owner.

We have to face the reality that expropriation proceedings, as in this case, take a significant amount of time. An appreciable gap of time has lapsed between the actual taking and the final award of just compensation granted by the court. This period of time can take years in certain cases. This results in the deprivation of beneficial use on the part of the landowner of the land or the proceeds from the payment of its fair market value.

To augment this situation, courts have to take into consideration the interest income the owner could have earned if he had received the money when the property was taken. In economics, this is referred to as the future[9] or present value.[10]

Another way of looking at the concept of present value in the context of expropriation is to pretend that the parties in the case have extraordinary foresight. In such a hypothetical situation, the parties already know the fair market value even before the expropriation proceedings have been terminated. With that amount in mind, government could already pay the property owner at the time of taking and in turn, the property owner could deposit the payment in a bank. By the time expropriation proceedings have ceased, the property owner could already withdraw this amount of money. By then, he would have withdrawn the principal (fair market value of the property at the time of taking) and the interest it has accumulated over time.

When the courts undertake their duty of determining just compensation, they must aim for compensation that is truly just, taking into consideration all relevant factors, such as the appreciation or depreciation of currency. Economists have devised a simple way to compute for the value of money in consideration of future interest earnings.

For purposes of our understanding and application, consider property owner AA, who owns a piece of land. The government took his property at Year 0. Let us assume that his property had a fair market value of P100 at the time of taking. In our ideal situation, the government should have paid him P100 at Year 0. By then, AA could have put the money in the bank so it could earn interest. Let us peg the interest rate at 5% per annum (or in decimal form, 0.05).[11]

If the expropriation proceedings took just one year (again, another ideal situation), AA could only be paid after that year. The value of the P100 has appreciated already. We have to take into consideration the fact that in Year 1, AA could have earned an additional P5 in interest if he had been paid in Year 0.

In order to compute the present value of P100, we have to consider this formula:

Present Value in Year 1 = Value at the time of Taking + (Interest Earned of the Value at the Time of Taking)

In formula[12] terms it will look like this:

$$PV1 = V + (V*r)$$

$$PV1 = V*(1+r)$$

PV1 = present value in Year 1

V = value at the time of taking

r = interest rate

So in the event that AA gets paid in Year 1, then:

$$PV1 = V * (1+r)$$

$$PV1 = P100 (1 + 0.05)$$

$$PV1 = P105$$

So if AA were to be paid in Year 1 instead of in Year 0, it is only just that he be paid P105 to take into account the interest earnings he has foregone due to the expropriation proceedings. If he were to be paid in Year 2, we should take into consideration not only the interest earned of the principal, but the fact that the interest earned in Year 1 will also be subject to interest earnings in Year 2. This concept is referred to as compounding interest rates. So our formula becomes:

Present Value in Year 2 = [Present Value in Year 1] + [Interest Earned of Present Value in Year 1]

Recall that in formula terms, Present Value in Year 1 was expressed as:

$$PV1 = [V*(1+r)]$$

Hence, in Year 2, the formula will be:

$$PV2 = PV1*(1+r) \text{ or}$$

$$PV2 = [V*(1+r)]*(1+r)$$

Seeing that the term (1+r) is repeated, it can be further simplified as:

$$PV2 = V*(1+r)[2]$$

$$PV2 = P100 *(1+0.05)[2]$$

$$PV2 = P100 *1.1025$$

$$PV2 = P110.25$$

This is the same as if we multiply the present value in Year 1 of P105 by 1.05 (our multiplier with the interest rate).

If proceedings go on until Year 3, then the formula would be:

$$PV3 = PV2*(1+r)$$

$$PV3 = \{[V*(1+r)]*(1+r)\}*(1+r)$$

Again, (1+r) is repeated three times, the same number as the number of years, hence, simplifying the formula would yield:

$$PV3 = V*(1+r)[3]$$

Due to compounding interest, the formula for present value at any given year becomes:

$$PV_t = V \cdot (1+r)^t$$

PV stands for the present value of the property. In order to calculate the present value of the property, the corresponding formula is used: V stands for value of the property at the time of the taking, taking in all the considerations that the court may use in order to arrive at the fair market value in accordance with law.

This is multiplied to $(1 + r)$ where r equals the implied rate of return (average year to year interest rate) and raised to the exponent t . The exponent t refers to the time period or the number of years for which the value of the money would have changed.

So if AA were to be paid ten years from the time of taking, the present value of the amount he should have been paid at the time of taking would be:

$$PV_t = V \cdot (1+r)^t$$

$$PV_{10} = P100 \cdot (1+0.05)^{10}$$

$$PV_{10} = P100 \cdot (1.63)$$

$$PV_{10} = P163$$

This proposal is admittedly unfamiliar to most of the members of the bench and bar. But the Court has undertaken similar endeavors in the past, such as the calculation of loss of earning capacity for purposes of computing actual damages. The usage of the concept of present value, and the proposed formula, incorporates the discipline of economics into the judicial determination of the SAC. This will not only simplify the judicial determination, but also ensure that the landowner is compensated justly after the fair market value of the property has been determined, no matter how long the expropriation proceedings take in court.

Valuation is an inexact science; each property subject to the court's determination of just compensation is subject to varying circumstances, and what is present for one property may not be present for another. That said, this new proposed method will allow the courts to exercise a judicial standard that the courts, particularly the SAC can utilize to arrive at a truly fair amount of just compensation.

I vote therefore to remand the case back to the Regional Trial Court for promulgation of the partial judgment and for the Court, to determine the full amount of just compensation in accordance with this opinion.

[1] See Ponencia, 5-8, citing among others, *Gabatin v. Land Bank of the Philippines*, 486 Phil 366 (2004).

[2] *Apo Fruits v Land Bank*, G.R. No. 164195, April 5, 2011, 647 SCRA 207.

[3] *National Power Corporation v. Sps. Florimon V. Iletto et al*, G.R. No. 169957 and *Danilo Brillo, et al vs. National Power Corporation*, G.R. No. 171588, July 11, 2012.

[4] See *Republic v. Vda de Castellvi*, G.R. No. L-20620, August 15, 1974, 58 SCRA 336, defining taking as “(1) entry by the expropriator into a private property, (2) entrance into private property must be more than a momentary period, (3) such entry must be under warrant or color of legal authority, (4) the property must be devoted to a public use or otherwise informally appropriated or injuriously affected, and (5) the utilization of the property for public use must be in such a way as to oust the owner and deprive him of all beneficial enjoyment of the property.”

[5] *Export Processing Zone Authority v. Dulay*, No. L-59603, April 29, 1987, 149 SCRA 305.

[6] Land Bank of the Philippines v. Pacita Agricultural Multi-Purpose Cooperative, Inc., G.R. No. 177607, January 19, 2009, 576 SCRA 291; Meneses v. Secretary of Agrarian Reform, 535 Phil. 819 (2006); Lubrica v. Land Bank, 537 Phil. 571 (2006); Land Bank of the Philippines v. Heirs of Maximo Puyat and Gloria Puyat, G.R. No. 175055, June 27, 2012; Land Bank of the Philippines v. Natividad, 497 Phil. 738 (2005); Land Bank of the Philippines v. Dumlao, G.R. No. 167809, November 27, 2008, 572 SCRA 108.

[7] See for instance Spouses Curata et al v. Philippine Ports Authority, G.R. No. 154211-12, June 22, 2009, 590 SCRA 214.

[8] CONSTITUTION, Art. XIII, Sec. 4. - The State shall, by law, undertake an agrarian reform program founded on the right of farmers and regular farmworkers who are landless, to own directly or collectively the lands they till or, in the case of other farmworkers, to receive a just share of the fruits thereof. To this end, the State shall encourage and undertake the just distribution of all agricultural lands, subject to such priorities and reasonable retention limits as the Congress may prescribe, taking into account ecological, developmental, or equity considerations, and subject to the payment of just compensation. In determining retention limits, the State shall respect the right of small landowners. The State shall further provide incentives for voluntary land-sharing.

CONSTITUTION, Art. XIII, Sec. 5. - The State shall recognize the right of farmers, farmworkers, and landowners, as well as cooperatives, and other independent farmers' organizations to participate in the planning, organization, and management of the program, and shall provide support to agriculture through appropriate technology and research, and adequate financial, production, marketing, and other support services.

CONSTITUTION, Art. XIII, Sec. 6. - The State shall apply the principles of agrarian reform or stewardship, whenever applicable in accordance with law, in the disposition or utilization of other natural resources, including lands of the public domain under lease or concession suitable to agriculture, subject to prior rights, homestead rights of small settlers, and the rights of indigenous communities to their ancestral lands. The State may resettle landless farmers and farmworkers in its own agricultural estates which shall be distributed to them in the manner provided by law.

CONSTITUTION, Art. XIII, Sec. 7. - The State shall protect the rights of subsistence fishermen, especially of local communities, to the preferential use of the communal marine and fishing resources, both inland and offshore. It shall provide support to such fishermen through appropriate technology and research, adequate financial, production, and marketing assistance, and other services. The State shall also protect, develop, and conserve such resources. The protection shall extend to offshore fishing grounds of subsistence fishermen against foreign intrusion. Fishworkers shall receive a just share from their labor in the utilization of marine and fishing resources.

CONSTITUTION, Art. XIII, Sec. 8. - The State shall provide incentives to landowners to invest the proceeds of the agrarian reform program to promote industrialization, employment creation, and privatization of public sector enterprises. Financial instruments used as payment for their lands shall be honored as equity in enterprises of their choice.

[9] "Future value is the amount of money in the future that an amount of money today will yield given prevailing interest rates." N. Gregory Mankiw, *Essentials of Economics* 414 (2007 edition).

[10] Present value (of an asset) is defined as "the value for an asset that yields a stream of income over time." Paul A. Samuelson and William D. Nordhaus, *Economics* 748 (Eighteenth Edition).

[11] Interest rates are dependent on risk, inflation and tax treatment. See Paul A. Samuelson and William D. Nordhaus, *Economics* 269 (Eighteenth Edition). Actual interest rate to be applied should be computed reasonably

according to historical epochs in our political economy. For example, during the war, we have experienced extraordinary inflation. This extraordinary inflation influences adversely interest rates of financial investments. The period of martial law is another example of a historical epoch that influences interest rates.

[12] N. Gregory Mankiw, *Essentials of Economics* 414-415 (2007 edition).

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