SOLOIL, INC., PETITIONER, VS. PHILIPPINE COCONUT AUTHORITY, RESPONDENT.

G.R. No. 174806. August 11, 2010

Ponente: CARPIO, J.

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CARPIO, J.:

The Case

This is a petition for review[1] of the 12 May 2006 Decision[2] and the 10 October 2006 Resolution [3] of the Court of Appeals in CA-G.R. CV No. 69629. The 12 May 2006 Decision vacated the 29 September 2000 Decision[4] of the Regional Trial Court (Branch 84) of Quezon City in Civil Case No. Q-95-25834. The 10 October 2006 Resolution denied petitioner's motion for reconsideration.

The Antecedent Facts

Petitioner Soloil, Inc. (Soloil) is a domestic corporation engaged in the exportation of copra, crude coconut oil, and other coconut products.[5] Respondent Philippine Coconut Authority (PCA) is a government owned and controlled corporation created under Presidential Decree No. 232, otherwise known as the Law Creating A Philippine Coconut Authority,[6] mandated to promote the rapid development of the coconut and palm oil industry in the country.

In January 1995, the Office of the Government Corporate Counsel sent by registered mail a final demand letter[7] addressed to Soloil for the payment of the latter's overdue fees to PCA for the domestic sale of coconut products. Soloil still did not pay the fees.

On 6 December 1995, PCA filed in the Regional Trial Court (Branch 84) of Quezon City a complaint[8] alleging that Soloil refused to pay the PCA fees. PCA further claimed that as of 31 December 1994, Soloil's overdue account had reached P403,543.29.[9]

In its answer[10], Soloil raised the defense that PCA's demand for the payment of PCA fees based on domestic sales had no factual basis as Soloil never engaged in the domestic sale of coconut products.

The case was set for pre-trial. However, for failure of the parties to settle the case amicably, pre-trial was terminated. Trial on the merits ensued.

PCA presented its lone witness, Trade Control Examiner Victoria Evangelista. Evangelista testified[11] that she was in charge of monitoring Soloil's export sales transactions and that she was the one who prepared Soloil's Summary of Outstanding PCA Fee Obligations[12] attached as Annex "A" of the complaint. PCA then presented itemized schedules[13] of Soloil's outstanding PCA fee obligations as well as certified reports[14]of the marine cargo surveyor showing that Soloil made export shipments [15] without paying the requisite PCA fees.

On the other hand, Soloil presented its sole witness, Assistant Vice-President for Trading and Administration

Fernando Uy. Uy testified that Soloil had no record of any domestic sale of coconut products. On cross-examination, Uy admitted Soloil purchased copra in the course of its business of exporting coconut products.[16]

In their respective memoranda, the parties raised the following issues: (1) whether the complaint stated a cause of action; and (2) if so, whether Soloil was liable to pay PCA fees in the amount of P403,543.29.

The Ruling of the RTC

In its 29 September 2000 Decision, the RTC ruled PCA failed to prove that the claimed amount of unpaid PCA fees was from Soloil's domestic sale of coconut products. The RTC held that only the amount of P509.66 with interest of P147.23 was duly proven to be from Soloil's domestic sale of coconut products.[17] The decretal portion of the RTC Decision reads:

> WHEREFORE, in view of the foregoing, judgment is rendered ordering the defendant Southern Leyte Oil Mill, Inc. to pay to plaintiff the amount of P509.66 plus interest of P147.23 as of November 30, 1993 plus interest of 14% per annum until fully paid.
>
> SO ORDERED.[18]

PCA appealed to the Court of Appeals insisting that Soloil was liable to pay PCA fees on its purchases of copra for both domestic and export sale of coconut products.

The Ruling of the Court of Appeals

The appellate court held that PCA fees attached upon purchase of copra by copra exporters. The Court of Appeals pointed out that there was no distinction whether the purchase was for domestic or for export sale of coconut products. In its 12 May 2006 Decision,[19] the Court of Appeals granted PCA's appeal. The dispositive portion of the Decision of the Court of Appeals reads:

> WHEREFORE, the instant appeal is GRANTED. The Decision of September 29, 2000 of the Regional Trial Court of Quezon City, Branch 84 in Civil Case No. Q-95-25834 is deemed VACATED and a new one ENTERED ordering the defendant-appellee to pay the plaintiff-appellant the amount of P403,543.29 representing PCA fees as of December 31, 1994 with interest of 14% per annum beginning January 1995 until fully paid. Costs of suit against the defendant-appellee.
>
> SO ORDERED.[20]

Soloil filed a motion for reconsideration,[21] which the Court of Appeals denied for lack of merit in its 10 October 2006 Resolution.[22]

Hence, the instant petition for review.

The Issues

The issues for resolution are (1) whether the complaint, alleging non-payment of PCA fees due on Soloil's domestic sale of coconut products, sufficiently stated a cause of action when evidence adduced during trial consisted of Soloil's export sale of coconut products; and (2) if so, whether Soloil was liable for the amount of P403,543.29 representing PCA fees as of 31 December 1994.

The Court's Ruling

The petition has no merit.

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Petitioner Soloil belabors the fact that the complaint alleged non-payment of PCA fees on Soloil's domestic sale of coconut products while the attached annexes showing Soloil's unpaid PCA fees did not indicate whether the amounts due were from domestic or from export sale of coconut products. Soloil maintains it never had any domestic sale of coconut products as its sales were all for export. Soloil argues that the complaint should have been dismissed for lack of cause of action and the RTC should not have allowed PCA, despite Soloil's vehement objection, to adduce evidence pertaining to export sales.

Respondent PCA counters that the complaint sufficiently established that PCA was mandated by law to impose and collect PCA fees for every kilo of copra purchased by copra exporters such as Soloil. PCA insists that PCA fees attached upon Soloil's purchase of copra whether such purchase was for domestic or for export sale of coconut products.

Rule 2 of the Rules of Court defines a cause of action as:

> Sec. 2. Cause of action, defined. - A cause of action is the act or omission by which a party violates a right of another.

The essential elements of a cause of action are(1)a right in favor of the plaintiff by whatever means and under whatever law it arises or is created; (2) an obligation on the part of the named defendant to respect or not to violate such right; and (3) an act or omission on the part of such defendant in violation of the right of the plaintiff or constituting a breach of the obligation of the defendant to the plaintiff for which the latter may maintain an action for recovery of damages or other appropriate relief.[23]

The complaint in this case, paragraph 4 in particular, contained the following averments:

> 4. To defray its operating expenses plaintiff is authorized under P.D. 1854 entitled Authorizing An Adjustment of the Funding Support of the Philippine Coconut Authority and Instituting a Procedure for the Management of Such Fund to impose and collect a fee of three centavos for every kilo of copra or its equivalent in copra terms of other coconut products delivered to and/or purchased by copra exporters, oil millers, desiccators, and other end-users of coconut products. This fee is otherwise known as PCA fee;[24] (Emphasis supplied)

This portion of the complaint together with the attached annexes[24] showing Soloil's unpaid PCA fees sufficiently constituted a cause of action in this case, namely (1) under P.D. 1854, PCA has a right to collect PCA fees in the amount of three centavos for every kilo of copra purchased by copra exporters; (2) Soloil, as a copra exporter, is legally bound to pay PCA fees; and (3) Soloil's non-payment of PCA fees is in violation of PCA's right to collect the same.

In determining whether a complaint states a cause of action, the trial court can consider all the pleadings filed, including annexes, motions, and the evidence on record.[26]The focus is on the sufficiency, not the veracity, of the material allegations.[27]Moreover, the complaint does not have to establish facts proving the existence of a cause of action at the outset; this will have to be done at the trial on the merits of the case.[28]

The fact that the complaint specifically mentioned assessed PCA fees due on Soloil's domestic sale of coconut products did not preclude a cause of action for PCA fees due on Soloil's export sale of coconut products. PCA sufficiently alleged on paragraph 4 of the complaint that PCA fees attached upon purchase of copra by copra exporters, such as Soloil, whether for domestic or for export sale of coconut products.

Presidential Decree No. 1468, otherwise known as the Revised Coconut Industry Code, [29] granted PCA the power to impose and collect PCA fees to defray its operating expenses, thus:

> Sec. 3. Power. - In the implementation of the declared national policy, the Authority [PCA] shall have the following powers and functions:

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> x x x x
>
> k) To impose and collect, under such rules that it may promulgate, a fee of ten centavos for every one hundred kilos of desiccated coconut, to be paid by the desiccating factory, coconut oil to be paid by the oil mills, and copra to be paid by the exporters, which shall be used exclusively to defray its operating expenses; (Emphasis supplied)

Presidential Decree No. 1854, otherwise known as the Law Authorizing an Adjustment of the Funding Support of the Philippine Coconut Authority and Instituting a Procedure for the Management of such Fund,[30] increased such PCA fees to three centavos per kilo of copra or husked nuts or their equivalent in other coconut products delivered to and/or purchased by copra exporters, oil millers, desiccators, and other end-users of coconut products, to wit:

> Section 1. The PCA fee imposed and collected pursuant to the provisions of R.A. No. 1145[31] and Sec. 3(k), Article II of P.D. 1468, is hereby increased to three centavos per kilo of copra or husked nuts or their equivalent in other coconut products delivered to and/or purchased by copra exporters, oil millers, desiccators, and other end-users of coconut products. The fee shall be collected under such rules that PCA may promulgate, and shall be paid by said copra exporters, oil millers, desiccators, and other end-users of coconut products, receipt of which shall be remitted to the National Treasury on a quarterly basis. (Emphasis supplied)

Under P.D. 1854, PCA fees automatically attach upon purchase of copra by copra exporters, such as Soloil in this case. The law does not distinguish whether the purchase of copra is for domestic or for export sale of coconut products. When the law does not distinguish, neither should we.[32] However, the law expressly requires that the PCA fees "shall be paid by said copra exporters" for copra "purchased by copra exporters."

The Summary of Outstanding PCA Fee Obligations,[33]attached as Annex "A" of the complaint, contains itemized schedules of Soloil's outstanding PCA fee obligations in the total amount of P403,543.29 as of 31 December 1994. It was duly prepared by Trade Control Examiner Victoria Evangelista, reviewed by Trade Control Examiner II Sylvia Carpio, certified correct by Supervising Trade Industry and Development Specialist Jennifer Lumawag, and finally noted by Manager Zenaida Leoncio. Under Section 3 paragraph (m), Rule 131[34] of the Rules of Court, the Summary of Outstanding PCA Fee Obligations enjoys the presumption of regularity in the performance of official duties absent any evidence that it was made in violation of any relevant law or regulation.[35]

As to the appropriate penalty for late payment of PCA fees, P.D. 1468 and P.D. 1854 authorized PCA to collect PCA fees under such rules as it may promulgate.[36] Pursuant to this mandate, PCA issued Administrative Order No. 001, Series of 1983[37] fixing the interest rate for PCA fees paid after the due date at 14% per annum, thus:

> Sec. 6 Sanctions. - For any violation of the provisions of these Rules, the Authority [PCA] may impose any or all of the following sanctions:
>
> - Interest equal to fourteen percent (14%) per annum of the PCA Fee paid after the due date thereof;

Fully supported as it is by law and the evidence on record, we find no reason to disturb the appellate court's Decision ordering Soloil to pay PCA the amount of P403,543.29 representing PCA fees as of 31 December 1994 with interest at the rate of 14% per annum beginning January 1995, when final demand[38] was made, until fully paid.

P.D. 1468 and P.D. 1854 enabled PCA to have a self-sustaining funding system precisely to allow it to defray its own operating expenses without regular financial support from the government.[39] The imposition of PCA fees is intended to provide PCA with adequate financial resources to carry out its mandate of promoting the rapid

growth of the country's coconut industry while making coconut farmers direct beneficiaries of this growth.[40] Soloil, as a copra exporter, cannot evade its legal obligation to pay PCA fees on the lame pretext that it never engaged in domestic sale of coconut products or worse, that the complaint for collection of PCA fees failed to state a cause of action.

WHEREFORE, we DENY the petition. We AFFIRM the 12 May 2006 Decision and the 10 October 2006 Resolution of the Court of Appeals in CA-G.R. CV No. 69629.

Costs against petitioner.

SO ORDERED.

Nachura, Peralta, Abad, and Mendoza, JJ., concur.

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[1] Under Rule 45 of the Rules of Court.

[2]Rollo, pp. 19-29. Penned by Associate Justice Jose L. Sabio, Jr. with Associate Justice Rosalinda Ausncion-Vicente and Arturo G. Tayag, concurring.

[3] Id. at 35.

[4] CA rollo, pp. 33-36.

[5] Records, p. 28.

[6] Effective 30 June 1973.

[7]Records, p. 6.[ ]
[8] Id. at 1-4.

[9] Id. at 5.

[10] Id. at 27-30.

[11] Id. at 154-162.
[12] Id. at 98.

[13]Id. [14]Id. at 89-973
[[15]] On 29 October, 26 November, and December 1998. [16]Records, pp. 205-207. [17]Id. at 71, 88.
[[18]]CA rollo, p. 36.[19]Rollo, pp. 19-29.[20]Id. at 283
[21]Id. at 30-33.
[22]Id. at 35.
[23]Philippine Daily Inquirer v. Alameda, G.R. No. 160104, 28 March 2008, 550 SCRA 199.[24] Records, pp. 1-2.

[25][ ]Id. at 5-6.[[26]]Cañete v. Genuino Ice Company, Inc., [27]Philippine Crop Insurance Corporation v. Court of Appeals, G.R. No. 169558, 219 September 2008, 567 SCRA 1.[28]Pioneer Concrete Philippines, Inc. v. Todaro, G. R. No. 154830, 8 June 2007, 524 SCRA 153.[29]Effective 11 June 1978.[30]Effective 21 December 1982.[31]An Act Creating Philippine Coconut Administration, Prescribing its Power, Functions, and Duties, and Providing for the Raising of the Necessary Funds for its Operation. Effective 17 June 1954.
[32]Secretary of Finance v. Ilarde, 497 Phil. 544 (2005).
[33]Records, p. 98.[34]Sec. 3. Disputable presumptions. - The following presumptions are satisfactory if

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uncontradicted, but may be contradicted by other evidence.

x x x x

(m) That official duty has been regularly performed;[35]Oroport Cargohandling Services, Inc. v. Phividec Industrial Authority, G.r. No. 166785, 28 July 2008, 560 SCRA 197; JG Summit Holdings, Inc. v. Court of Appeals, 458 Phil. 581 (2003).[36]P.D. 1468. Sec. 3. Power. - In the implementation of the declared national policy, the Authority [PCA] shall have the following powers and functions:

x x x x

k) To impose and collect, under such rules that it may promulgate, x x x
P.D. No. 1854. Section 1. x x x The fee shall be collected under such rules the CPA may promulgate, x x x
[37]Effective 1 February 1983. CA rollo, pp. 50-54.[38]Records, p. 6.[39]Preamble of P.D. No. 1854.[40]Presidential Decree No. 961, otherwise known as An Act to Codify the Laws Dealing with the Development of the Coconut Palm Oil Industry and for Other Purpose. Effective 14 July 1976. Sec. 2 Declaration of Policy. It is hereby declared to be the policy of the State to promote the rapid integrated development and growth of the coconut and other palm oil industry in all its aspects and to ensure that the coconut farmers become direct participants in, and beneficiaries of, such development and growth.

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