

E. RAZON, INC. AND ENRIQUE RAZON, PETITIONERS, VS. PHILIPPINE PORTS AUTHORITY, PRIMITIVO S. SOLIS, JR. AND VICENTE T. SUAZO, JR., RESPONDENTS. MARINA PORT SERVICES, INC., INTERV...*G.R. No. 75197. June 22, 1987*

Ponente: FERNAN, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-75197/>**FERNAN, J.:**

Assailed in this petition for certiorari with prayer for a writ of preliminary injunction and/or restraining order as violative of petitioners' right to due process is the unilateral cancellation by respondent Philippine Ports Authority (PPA) of the Management Contract of petitioner E. Razon, Inc. (ERI) to operate the arrastre service in all the ports at South Harbor, Manila and the subsequent appointment by respondent PPA of intervenor Marina Port Services, Inc. (Marina, for brevity) as interim operator of said arrastre service.

Petitioner E. Razon, Inc., also known as Metro Port Service, Inc. (MPSI), is a Philippine corporation organized on June 21, 1962 for the main purpose of bidding for the contract to manage all the piers in South Harbor, Manila. Co-petitioner Enrique Razon was allegedly the 100% equity owner, having paid for the subscriptions of the other in-corporators who were mere nominees.

After a public bidding, petitioner ERI was awarded in 1966 a five-year contract to operate the arrastre service for Piers 3 and 5 at the South Harbor. Thereafter, it allegedly invested millions of pesos in acquiring port-handling equipment upon assurance from the government that its contract would be renewed without public bidding. Thus, when the Bureau of Customs informed petitioner ERI in 1971 of its decision to call for a new bidding and accordingly issued an invitation to bid for the operation of the arrastre service for any and all piers in South Harbor, including Piers 3 and 5, petitioner ERI instituted a special civil action for certiorari, prohibition, mandamus and injunction with preliminary and mandatory injunction and/or restraining order before the then Court of First Instance of Manila against the Secretary of Finance, Commissioner of Customs and members of the Bidding Committee to enjoin them from proceeding with the bidding and to compel them to renew petitioner ERI's contract. The Court of First Instance, presided by Judge Juan Bocar, issued the writ prayed for, whereupon then Secretary of Finance Cesar Virata elevated the case before this Court in G.R. No. 33426 entitled, "Cesar Virata, et al. vs. Hon. Juan Bocar, et al."

In a resolution dated May 13, 1971, this Court ordered the holding of a public bidding for all the piers, conditioned that no final award should be given until further orders from the court.

An actual bidding was conducted for all the piers, with ERI emerging as the Bidding Committee's unanimous choice. The selection was confirmed by this Court in *Virata v. Bocar*, 50 SCRA 468, 489, thus:

"IN VIEW OF ALL THE FOREGOING, herein petitioners are hereby directed to make the final award in favor of E. Razon, Inc., as the best and most advantageous bidder of the contract to operate the arrastre service for all the piers in the Manila South Harbor; x x x"

The management contract covering all the piers in the South Harbor was executed between petitioner ERI and the government on January 18, 1974 for a term of five years effective January 1, 1974, renewable for another five years. In August of the same year, petitioner ERI increased its capitalization from P2 Million to P20 Million.

In 1977 and early 1978, petitioner Razon allegedly initiated negotiations with respondent PPA either for the renewal of the management contract or for an immediate public bidding, if necessary, but respondent PPA, which was represented in the negotiations by the then General Manager, co-respondent Primitivo Solis, Jr., did not act on the request, reportedly due to the unconcealed desire of people close to then President Marcos to take over petitioner ERI.

Thereafter, in late 1978, petitioner Razon, who was then owner of about 93% of ERI's equity was allegedly coerced by emissaries from then President Marcos into endorsing in blank ERI's stock certificates covering 60% equity. It is further alleged that Razon did not receive a single centavo for these shares of stock as the checks purportedly payable to him as payment of the shares were immediately endorsed by Razon to and taken by unnamed parties close to President Marcos. The party close to President Marcos was later identified as Alfredo "Bejo" Romualdez, the president's brother-in-law.

After the transfer, a new group reportedly took over the active control and management of petitioner company. Petitioner Razon, was, however, retained as President, allegedly because of his acceptability and rapport with the shipping lines, customs brokers and the unions, but without real powers as ERI's By-Laws were amended to make the office of the executive vice-president more powerful than the president's which was vested with mere recommendatory functions. Petitioner ERI's corporate name was also changed to Metro Port Service, Inc. (MPSI).

On December 31, 1978, the contract of petitioner ERI/MPSI expired. It was extended in 1979 to June 30, 1980, during which month respondent PPA executed a new contract in favor of ERI for a term of eight (8) years, beginning July 1, 1980.

It is alleged that on February 26, 1986, after the ouster of the former government administration, petitioner Razon went to South Harbor and took active control, supervision and management of MPSI. He called a special stockholders' meeting whereby he was able to re-organize the Board of Directors by seating therein his own nominees and to restore the powers of the President as well as the company's name through corresponding amendments of the By-Laws. He was likewise able to convince the nominee company, Maximum Trading and Industrial Corporation (MATICO), in whose name the 60% equity appeared to have been registered, to return the same to him under a "Deed of Reconveyance with Irrevocable Power of Attorney" (Annex "B", Petition, pp. 54-55, Rollo). He caused the books of accounts to be audited by the accounting firm of Sycip, Gorres and Velayo and exerted utmost efforts to improve service and revenue as well as to restore harmonious relations with the unions. He further undertook ways and means to restore to working condition the cargo-handling equipment in order to check delay in the delivery of cargoes, which efforts were acknowledged by respondent PPA in a letter dated July 9, 1986 (Annex "C", Petition, p. 56, Rollo).

On July 18, 1986, some truckers staged a demonstration at the main gate of South Harbor to complain about Razon's management of the arrastre operations. The demonstration lasted until noon of the same day.

At about 5:30 in the afternoon of July 18, 1986, a Friday, respondent PPA sent to petitioner ERI/MPSI a letter signed by a co-respondent Solis, demanding explanation and reply to the complaints from shippers and others enumerated in said letter and to the various violations of the management contract not later than 9:00 A.M. of the following day, July 19, 1986, (Annex "D", Petition, pp. 57-60, Rollo). In a television newscast in the evening of July 18, 1986, then Minister of Transportation and Communications Hernando Perez was quoted to have given respondent PPA until Wednesday of the following week, July 23, 1986, within which to investigate the

complaints against MPSI and to submit its findings and recommendations.

Apparently relying on the time frame announced by Minister Perez and finding the deadline set by respondent PPA in its letter of July 18, 1986 too short, apart from the fact that it had no staff, it being a week-end, petitioner ERI prepared a letter dated July 19, 1986, addressed to respondent PPA, stating that it would "reply early next week" (Annex "F" p. 61, Rollo). It appears that this letter was never delivered to respondent PPA because there was allegedly no one in its office to receive the same.

On the same day, July 19, 1986, respondent PPA informed petitioner ERI/MPSI thru a letter of even date that it was cancelling the management contract and taking over the cargo handling operations as well as the equipment of petitioner "effective immediately" (Annex "G", Petition, p. 62, Rollo). On July 21, 1986, respondent PPA appointed Marina Port Services, Inc. as interim operator of the arrastre service at South Harbor.

Meanwhile, at 10:05 A.M. of July 21, 1986, herein petitioners, thru counsels Atty. Rafael T. Durian and Florentino Tuason, Jr. of Cruz, Agabin, Atienza and Alday Law Firm, instituted the instant petition for certiorari with prayer for the issuance of a preliminary restraining order and/or injunction. Less than an hour later or at 11:00 A.M., they filed a similar complaint before the Regional Trial Court of Manila, which issued a temporary restraining order against respondent PPA at 3:00 P.M. of the same day. Earlier, at 11:58 A.M., petitioners filed a "Withdrawal of Petition" with this Court. The "Withdrawal of Petition" was vigorously opposed by the Solicitor-General in behalf of respondents who denounced petitioners' filing of the two petitions in this Court and in the Regional Trial Court as proscribed "forum-shopping and double-dealing".

Pending action by the court on the "Withdrawal of Petition", petitioners filed a supplemental complaint with the RTC of Manila to implead Manila Port Services, Inc. as co-respondent therein. They likewise filed *motu proprio* a comment on the Opposition to the Withdrawal of Petition, stating in the main that they intended to withdraw the instant petition before filing the petition in the RTC but that there was a miscommunication between counsels and their messenger; that there was no intention to forum-shop and that they deeply apologize for the delayed filing of the "Withdrawal of Petition".

Finding the explanation proffered by petitioners to be "feeble and untenable", the Court resolved on July 31, 1986 to:

"x x x a) DENY the motion to withdraw the instant petition; b) summarily DISMISS both the petition at bar as well as the complaint in Civil Case No. 86-36754 of the Regional Trial Court of Manila and to SET ASIDE effective immediately the temporary restraining order and any other orders or processes issued in the latter case as void and of no effect; and c) SUSPEND Atty. Rafael T. Durian and Florentino Tuason, Jr. from the practice of law effective immediately and until further orders. Said Attys. Durian and Tuason Jr. are hereby REQUIRED to show cause within ten (10) days from notice hereof why the suspension should not stand, why no disbarment proceedings should be instituted against them and why no other liability should attach to them by reason of their above-described acts of deceit, malpractice and gross misconduct." (p. 122, Rollo).

On August 6, 1986, petitioners, assisted by Atty. Angel C. Cruz of the same Cruz, Agabin, Atienza and Alday Law Firm, filed a Manifestation that they were abiding by the resolution of July 31, 1986 but "with express reservation to their filing a new ordinary civil action before the competent RTC and the legal remedy to be availed of by Attys. Durian and Tuason, Jr. on the matter of the disciplinary action taken against them." (pp. 147-148, Rollo).

On the same day, petitioners filed a third identical complaint before the RTC of Manila, docketed as Civil Case No. 86-37006. Upon motion of the Solicitor-General, this Court issued on August 14, 1986 a temporary

restraining order enjoining Judge Alfin S. Vicencio, RTC, Branch 50, Manila from acting on Civil Case No. 86-37006 and the petitioners from instituting further action elsewhere without leave of court. The Cruz, Agabin, Atienza and Alday Law Firm and Judge Vicencio were likewise required to show cause why they should not be severally held in contempt of court and/or be held administratively liable for malpractice (p. 233, Rollo). Both complied with this resolution, as did Attys. Durian and Tuason, Jr. with the resolution of July 31, 1986 by filing a "Compliance with Urgent Plea for Immediate Lifting of Suspension" (p. 150, Rollo).

Meanwhile, on August 18, 1986, petitioners thru new counsel N. J. Quisumbing and Associates, filed a motion for reconsideration of the resolution of August 14, 1986 and for leave to file suit whether in the Supreme Court or any court for judicial review of PPA's cancellation of Petitioner ERI's management contract. This was again opposed by the Solicitor-General.

On September 13, 1986, Marina Port Services, Inc. filed a motion for intervention, which was in turn opposed by petitioners.

On October 30, 1986, the Court resolved to: a) make permanent the temporary restraining order issued on August 14, 1986 inasmuch as this Court has resolved to entertain the instant petition to accord petitioners access to the courts; b) allow the intervention of Marina Port Services, Inc. in the present case; and c) to lift the suspension of Attys. Rafael T. Durian and Florentino A. Tuason, Jr. effective immediately. (p. 435-A, Rollo).

Petitioners contend that they were denied their right to due process when respondent PPA cancelled the Management Contract without prior hearing and investigation. In support of this contention, they advance the theory that the management contract is not an ordinary commercial contract, but more in the nature of a franchise or license, which, in this case, has been impressed with property rights by reason of the length of time petitioners have been enjoying it, and hence cannot be cancelled without according petitioners the opportunity to be heard on the alleged complaints and contract violations. As a corollary, petitioners further assert that respondent PPA was not exercising proprietary functions, i.e., as a party to a contract exercising its right to rescission or resolution when it cancelled petitioners' contract, but as a regulatory body exercising adjudicatory powers in finding and concluding that petitioner ERI/MPSI had violated the management contract. Hence, their contention that since said findings and conclusions were reached in violation of petitioners' right to due process, the resultant cancellation is null and void.

Respondents PPA, et al. and intervenor Marina, on the other hand, submit in their joint memorandum the following arguments:

"1. Contrary to petitioners' assertion, the cancelled arrastre contract was previously awarded, not to petitioner Enrique Razon or his old company, E. Razon, Inc., but to Metro Port Services, Inc. that President Marcos' brother-in-law, Alfredo 'Bejo' Romualdez, admittedly controlled;

"2. Since the cancelled contract was the fruit of corruption in the Marcos government, it is a nullity and petitioners cannot sue for its enforcement;

"3. With his admission that he agreed to front for Romualdez with respect to the latter's illegal dealings with the Philippine Port Authority, Razon forfeits his claim as having been a victim of the Marcos rule;

"4. Besides, since petitioners themselves admit the existence of sufficient grounds for PPA's cancellation of Metro Port's arrastre contract, they cannot complain;

"5. Under the circumstances, respondent PPA was not required to hear petitioners prior to its cancellation of the contract;

"6. Given the validity of PPA's cancellation of that contract and its takeover of the arrastre operations, the

designation of respondent Marina Port Services, Inc. to assist PPA in the operations is not for petitioner to question; and,

“7. At all events, respondent MARINA is qualified to handle the limited task PPA assigned to it.” (pp. 546-547, Rollo).

The Management Contract under consideration was executed by and between petitioner E. Razon, Inc. represented by its President, herein co-petitioner Enrique Razon, and respondent PPA, represented by its then General Manager, E. S. Baclig, Jr. on June 27, 1980 (Annex "A", Petition, p. 18, Rollo). By petitioners' own admission, at the time of the execution of the Management Contract, petitioner E. Razon, Inc. later known as Metro Port Services, Inc. was controlled by Alfredo "Bejo" Romuldez, brother-in-law of deposed President Marcos. Under Section 5 of the Anti-Graft and Corrupt Practices Act (R.A. No. 3019), Romualdez, by reason of his relationship with the then President of the Philippines, was prohibited from intervening, directly or indirectly, in any transaction or business with the government. Thus, the Management Contract, entered into by E. Razon, Inc., ostensibly owned by petitioner Enrique Razon, but in fact controlled by Alfredo Romualdez as 60% equity owner thereof, is null and void and of no effect, being one expressly prohibited by law (par. [7], Art. 1409, Civil Code of the Philippines). Furthermore, as will be shown later, the Management Contract is the direct result of a previous illegal contract and, therefore, is itself null and void under Article 1422 of the Civil Code.

Petitioners attempt to evade the consequence of the Romualdez connection by alleging that the 60% equity of petitioner E. Razon, Inc. was obtained thru force and duress and without any monetary consideration whatsoever. Otherwise stated, the trans-fer of the shares of stock to persons close to President Marcos, later disclosed to be Alfredo "Bejo" Romualdez was, at the very least, voidable for lack of consent, or altogether void for being absolutely fictitious or simulated.

Verily, the transfer of the shares of stock of petitioner E. Razon, Inc. representing 60% equity to persons fronting for Alfredo "Bejo" Romualdez was null and void. The invalidity springs not from vitiated consent nor absolute want of monetary consideration, but for its having had an unlawful cause - that of obtaining a government contract in violation of law. While the general rule is that the causa of the contract must not be confused with the motives of the parties, this case squarely fits into the exception that the motive may be regarded as causa when it predetermines the purpose of the contract. (*Liguez v. Court of Appeals*, 102 Phil. 577). On the part of Romualdez, the motive was to be able to contract with the government which he was then prohibited by law from doing, and on petitioner Razon's part, to be able to renew his management contract. For it is scarcely disputable that Enrique Razon would not have transferred said shares of stock to Romualdez without an assurance from the latter that he would be unduly favored with a renewal of the Management Contract. Thus, it came to pass that by transferring 60% of the shares in his company to Romualdez, petitioner Enrique Razon was able to secure an eight-year contract with respondent PPA and for six years before its cancellation benefit from the proceeds thereof.

Petitioners' attempt to dissociate or divorce themselves from the illegality of the transfer and, consequently, of the management contract, as well as their claim of innocence or being a victim of the Marcos regime must fail for the "view has been taken x x x that a party is a participant in the unlawful intention where he knows and intends that the subject matter will be used for an illegal purpose and there would seem to be no doubt that one may be deemed to be a participant in the other's unlawful design if he shares in the benefits of the violation of law. However, whether he is to derive any benefit from the unlawful use of the subject matter is not the sole test. A test which has been said to be more conformable to sound morality is whether he intends to aid the other in the unlawful object. He may be deemed to be a participant in the unlawful purpose if, with knowledge thereof, he does anything which facilitates the carrying out of such purpose." (17 Am Jur 2d 515-516).

The transfer of the control of petitioner E. Razon, Inc. from petitioner Enrique Razon to Alfredo "Bejo"

Romualdez, which We have resolved to be null and void, served as the direct link to petitioner company's obtaining the Management Contract. Being the direct consequence and result of a previous illegal contract, the Management Contract itself is null and void as provided in Article 1422 of the Civil Code.

Elementary in the law of contracts is the principle that no judicial action is necessary for the annulment of a void contract. Any such action would be merely declaratory. (Tolentino, Civil Code of the Philippines, Vol. IV, 1973 ed., p. 594). Thus, it was well within the rights of respondent PPA to unilaterally cancel and treat as avoided the Management Contract and no arbitrariness may be attached to its exercise of this right.

Besides, even if the Management Contract were valid and subsisting, the violations* of the contract committed by its predecessor, Metro Port Services Inc. which, except for the bare allegation that these were untrue, were not specifically denied by petitioners, but on the contrary, unwittingly admitted with the allegation that Metro Port Services Inc. mismanaged the arrastre operations, were grave and serious to justify immediate termination of the contract.

Respondent PPA is the government agency charged with the specific duty of supervising, controlling, regulating, constructing, maintaining, operating and providing such facilities or services as are necessary in the ports vested in, or belonging to it (Sec. 6 [ii], P.D. 857). It has the expertise to determine whether or not Marina Port Services Inc. has the capability of discharging the tasks assigned to it as interim operator of arrastre service in South Harbor. Except in cases of clear grave abuse of discretion, which has not been shown in the instant petition, the Court will not disturb such judgment and substitute its own. (Meralco Securities Corp. v. Savellano, 117 SCRA 804; Anglo-Fil Trading Corp. v. Lazaro, 124 SCRA 494.

WHEREFORE, the instant petition is hereby DISMISSED. Costs against petitioners.

SO ORDERED.

Teehankee, C.J., Yap, Narvasa, Melencio-Herrera, Gutierrez, Jr., Cruz, Paras, Feliciano, Gancayco, Padilla, Bidin, and Cortes, JJ., concur.

Sarmiento, J., no part, for being counsel of petitioner before appointment to the Supreme Court.

* Quoted in full is the Memorandum addressed to the Port Manager On Metro Port's Violations of the Management Contract and PPA Regulations, attached to the letter dated July 18, 1986 of respondent PPA to petitioner ERI/MPSI:

"30 June 1986

MEMORANDUM -

FOR : THE PORT MANAGER

FROM : THE APM-SH

SUBJ : REPORT ON METRO PORT'S VIOLATIONS OF THE MANAGEMENT CONTRACT AND PPA REGULATIONS.

Metro Port Service, Inc. has been violating some PPA regulations and certain provisions of its Management Contract with the Port Authority. Although the violations are numerous, the following enumerations are the only

ones presented as these are supported by documents.

1. Operation of stevedoring services beyond the authority granted by the PPA. On many occasions, Metro Port undertook stevedoring work on board some vessels berthed outside Pier 3, Berths 3 and 4, resulting in complaints from the stevedoring Contractor and problems with the shipping lines involved.

2. Equipment Requirement. Despite the requirement in the Contract that the Contractor shall submit to the Authority a program of equipment renewal and modernization for approval, no such program has been submitted. Existing equipment for containerization has been so inadequate and unmaintained that complaints from the port users on operational delays have always been received.

It is worth mentioning that nowhere in the Philippine ports except in the Port of Manila can be found an additional charge for container terminal handling. This was, however, allowed by the Bureau of Customs in the initial stages of containerization only because of an understanding that the cargo handler would need extra revenue to invest in container equipment.

To date, however, the only two (2) tango cranes at Pier 3 and the four (4) shifters at Pier 13 - Muelle de San Francisco are owned by the shipping lines; the two (2) shifters at Cy-01 are owned by the PPA while one (1) is owned by Metro Port - the last one is not even operational. In short, the major container equipment in the harbor are not owned by the cargo handler. The purpose for allowing a container terminal handling fee was not attained as envisioned.

A visit inside the MPSI motorpool will show a large number of unserviceable forklifts and other related equipment but these cannot be of operational assistance because of poor maintenance. Meantime, port users continue to complain about non-availability of equipment and delays in cargo receipt and deliveries.

3. Submission of Reports. Metro Port has not been very cooperative in the submission of required reports. Some are submitted late while others are not submitted at all. Those not submitted at all include: Out-Turn Report per Vessel, Bad Order Cargo Certificates, Export Cargo Receipts, Discharging/Loading Tally, Cargo Location System, Shut-Out Reports and Master Van Lists.

4. Compliance with Port Regulations. Some port rules are not always complied with. Examples of these are those that pertain to stuffing, stripping, billing, tariff system and other operational requirements. Non-observance of these regulations have only added to the confusion in the port, not to mention losses in revenues due to the Port Authority.

5. Safety Requirements. Contrary to relevant provisions in the Contract, there is no full-time Safety Officer employed by Metro Port. Its safety gears and equipment are far from complete.

6. Claims. An audit of Metro Port's records will show no payment for claims filed with its Office.

For your information,

Sgd. Benjamin B. Cecilio

BENJAMIN B. CECILIO

(Annex "E", Petition, pp. 59-60, Rollo).

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.