

VIRGILIO GASTON, HORTENCIA STARKE, ROMEO GUANZON, OSCAR VILLANUEVA, JOSE ABELLO, REMO RAMOS, CAROLINA LOPEZ, JESUS ISASI, MANUEL LACSON, JAVIER LACSON, TITO TAGARAO, EDUARDO SUA...

G.R. No. 77194. March 15, 1988

Ponente: MELENCIO-HERRERA, J.

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MELENCIO-HERRERA, J.:

Petitioners are sugar producers, sugarcane planters and millers, who have come to this Court in their individual capacities and in representation of other sugar producers, planters and millers, said to be so numerous that it is impracticable to bring them all before the Court although the subject matter of the present controversy is of common interest to all sugar producers, whether parties in this action or not.

Respondent Philippine Sugar Commission (PHILSUCOM, for short) was formerly the government office tasked with the function of regulating and supervising the sugar industry until it was superseded by its co-respondent Sugar Regulatory Administration (SRA, for brevity) under Executive Order No. 18 on May 28, 1986. Although said Executive Order abolished the PHILSUCOM, its existence as a juridical entity was mandated to continue for three (3) more years "for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, to dispose of and convey its property and to distribute its assets".

Respondent Republic Planters Bank (briefly, the Bank) is a commercial banking corporation.

Angel H. Severino, Jr., et al., who are sugarcane planters planting and milling their sugarcane in different mill districts of Negros Occidental, were allowed to intervene by the Court, since they have common cause with petitioners and respondents having interposed no objection to their intervention. Subsequently, on January 14, 1988, the National Federation of Sugar Planters (NFSP) also moved to intervene, which the Court allowed on February 16, 1988.

Petitioners and Intervenors have come to this Court praying for a Writ of Mandamus commanding respondents:

"TO IMPLEMENT AND ACCOMPLISH THE PRIVATIZATION OF REPUBLIC PLANTERS BANK BY THE TRANSFER AND DISTRIBUTION OF THE SHARES OF STOCK IN THE SAID BANK, NOW HELD BY AND STILL CARRIED IN THE NAME OF THE PHILIPPINE SUGAR COMMISSION, TO THE SUGAR PRODUCERS, PLANTERS AND MILLERS, WHO ARE THE TRUE BENEFICIAL OWNERS OF THE 761,416 COMMON SHARES VALUED AT P36,548,000.00, and 53,005,045 PREFERRED SHARES (A, B & C) WITH A TOTAL PAR VALUE OF P254,424,224.72, OR A TOTAL INVESTMENT OF P290,972,224.72, THE SAID INVESTMENT HAVING BEEN FUNDED BY THE DEDUCTION OF P1.00 PER PICUL FROM SUGAR PROCEEDS OF THE SUGAR PRODUCERS COMMENCING THE YEAR 1978-79 UNTIL THE PRESENT AS STABILIZATION FUND PURSUANT TO P.D. # 388".

Respondent Bank does not take issue with either petitioners or its co-respondents as it has no beneficial or

equitable interest that may be affected by the ruling in this Petition, but welcomes the filing of the Petition since it will settle finally the issue of legal ownership of the questioned shares of stock.

Respondents PHILSUCOM and SRA, for their part, squarely traverse the petition arguing that no trust results from Section 7 of P.D. No. 388; that the stabilization fees collected are considered government funds under the Government Auditing Code; that the transfer of shares of stock from PHILSUCOM to the sugar producers would be irregular, if not illegal; and that this suit is barred by laches.

The Solicitor General aptly summarizes the basic issues thus: (1) whether the stabilization fees collected from sugar planters and millers pursuant to Section 7 of P.D. No. 388 are funds in trust for them, or public funds; and (2) whether shares of stock in respondent Bank paid for with said stabilization fees belong to the PHILSUCOM or to the different sugar planters and millers from whom the fees were collected or levied.

P.D. No. 388, promulgated on February 2, 1974, which created the PHILSUCOM, provided for the collection of a Stabilization Fund as follows:

"SEC. 7. Capitalization, Special Fund of the Commission, Development and Stabilization Fund. – There is hereby established a fund for the Commission for the purpose of financing the growth and development of the sugar industry and all its components, stabilization of the domestic market including the foreign market to be administered in trust by the Commission and deposited in the Philippine National Bank derived in the manner herein below cited from the following sources:

- Stabilization fund shall be collected as provided for in the various provisions of this Decree.

- Stabilization fees shall be collected from planters and millers in the amount of Two (P2.00) Pesos for every picul produced and milled for a period of five years from the approval of this Decree and One (P1.00) Peso for every picul produced and milled every year thereafter,

Provided: That fifty (P0.50) centavos per picul of the amount levied on planters, millers and traders under Section 4(c) of this Decree will be used for the payment of salaries and wages of personnel, fringe benefits and allowances of officers and employees for the purpose of accomplishing the efficient performance of the duties of the Commission,

Provided, further: That said amount shall constitute a lien on the sugar quedan and/or warehouse receipts and shall be paid immediately by the planters and mill companies, sugar centrals and refineries to the Commission." (paragraphing and bold supplied).

Section 7 of P.D. No. 388 does provide that the stabilization fees collected "shall be administered in trust by the Commission". However, while the element of an intent to create a trust is present, a resulting trust in favor of the sugar producers, millers and planters cannot be said to have ensued because the presumptive intention of the parties is not reasonably ascertainable from the language of the statute itself.

"The doctrine of resulting trusts is founded on the presumed intention of the parties; and as a general rule, it arises where, and only where such may be reasonably presumed to be the intention of the parties, as determined from the facts and circumstances existing at the time of the transaction out of which it is sought to be established (89 C.J.S. 947)."

No implied trust in favor of the sugar producers either can be deduced from the imposition of the levy. "The essential idea of an implied trust involves a certain antagonism between the cestui que trust and the trustee even when the trust has not arisen out of fraud nor out of any transaction of a fraudulent or immoral character (65 CJ 222). It is not clearly shown from the statute itself that the PHILSUCOM imposed on itself the obligation of holding the stabilization fund for the benefit of the sugar producers. It must be categorically demonstrated that the

very administrative agency which is the source of such regulation would place a burden on itself (*Batchelder v. Central Bank of the Philippines*, L-25071, July 29, 1972, 46 SCRA 102, citing *People v. Que Po Lay*, 94 Phil. 640 [1954]).

Neither can petitioners place reliance on the history of respondent Bank. They recite that at the beginning, the Bank was owned by the Roman-Rojas Group. Because it underwent difficulties early in the year 1978, Mr. Roberto S. Benedicto, then Chairman of the PHILSUCOM, submitted a proposal to the Central Bank for the rehabilitation of the Bank. The Central Bank acted favorably on the proposal at the meeting of the Monetary Board on March 31, 1978 subject to the infusion of fresh capital by the Benedicto Group. Petitioners maintain that this infusion of fresh capital was accomplished, not by any capital investment by Mr. Benedicto, but by PHILSUCOM, which set aside the proceeds of the P1.00 per picul stabilization fund to pay for its subscription in shares of stock of respondent Bank. It is petitioners' submission that all shares were placed in PHILSUCOM's name only out of convenience and necessity and that they are the true and beneficial owners thereof.

In point of fact, we cannot see our way clear to upholding petitioners' position that the investment of the proceeds from the stabilization fund in subscriptions to the capital stock of the Bank were being made for and on their behalf. That could have been clarified by the Trust Agreement, dated May 28, 1986, entered into between PHILSUCOM, as "Trustor" acting through Mr. Fred J. Elizalde as Officer-in-Charge, and respondent RPB-Trust Department" as "Trustee", acknowledging that PHILSUCOM "holds said shares for and in behalf of the sugar producers", the latter "being the true and beneficial owners thereof". The Agreement, however, did not get off the ground because it failed to receive the approval of the PHILSUCOM Board of Commissioners as required in the Agreement itself.

The SRA, which succeeded PHILSUCOM, neither approved the Agreement because of the adverse opinion of the SRA Resident Auditor, dated June 25, 1986, which was affirmed by the Chairman of the Commission on Audit, on January 26, 1987.

On February 19, 1987, the SRA resolved to revoke the Trust Agreement "in the light of the ruling of the Commission on Audit that the aforementioned Agreement is of doubtful validity".

From the legal standpoint, we find basis for the opinion of the Commission on Audit reading:

"That the government, PHILSUCOM or its successor-in-interest, Sugar Regulatory Administration, in particular, owns the stocks. While it is true that the collected stabilization fees were set aside by PHILSUCOM to pay its subscription to RPB, it did not collect said fees for the account of the sugar producers. That stabilization fees are charges/levies on sugar produced and milled which accrued to PHILSUCOM under PD 338, as amended. x x x "

The stabilization fees collected are in the nature of a tax, which is within the power of the State to impose for the promotion of the sugar industry (*Lutz vs. Araneta*, 98 Phil. 148). They constitute sugar liens (Sec. 7[b], P.D. No. 388). The collections made accrue to a "Special Fund", a "Development and Stabilization Fund", almost identical to the "Sugar Adjustment and Stabilization Fund" created under Section 6 of Commonwealth Act 567.[1] The tax collected is not in a pure exercise of the taxing power. It is levied with a regulatory purpose, to provide means for the stabilization of the sugar industry. The levy is primarily in the exercise of the police power of the State (*Lutz vs. Araneta*, *supra*).

"The protection of a large industry constituting one of the great sources of the state's wealth and therefore directly or indirectly affecting the welfare of so great a portion of the population of the State is affected to such an extent by public interests as to be within the police power of the sovereign." (*Johnson vs. State ex rel. Marey*, 128 So. 857, cited in *Lutz vs. Araneta*, *supra*).

The stabilization fees in question are levied by the State upon sugar millers, planters and producers for a special purpose - that of "financing the growth and development of the sugar industry and all its components, stabilization of the domestic market including the foreign market". The fact that the State has taken possession of moneys pursuant to law is sufficient to constitute them state funds, even though they are held for a special purpose (Lawrence vs. American Surety Co., 263 Mich 586, 249 ALR 535, cited in 42 Am. Jur. Sec. 2, p. 718). Having been levied for a special purpose, the revenues collected are to be treated as a special fund, to be, in the language of the statute, "administered in trust" for the purpose intended. Once the purpose has been fulfilled or abandoned, the balance, if any, is to be transferred to the general funds of the Government. That is the essence of the trust intended (See 1987 Constitution, Article VI, Sec. 29(3), lifted from the 1935 Constitution, Article VI, Sec. 23[1]).[2]

The character of the Stabilization Fund as a special fund is emphasized by the fact that the funds are deposited in the Philippine National Bank and not in the Philippine Treasury, moneys from which may be paid out only in pursuance of an appropriation made by law (1987 Constitution, Article VI, Sec. 29[1], 1973 Constitution, Article VIII, Sec. 18[1]).

That the fees were collected from sugar producers, planters and millers, and that the funds were channeled to the purchase of shares of stock in respondent Bank do not convert the funds into a trust fund for their benefit nor make them the beneficial owners of the shares so purchased. It is but rational that the fees be collected from them since it is also they who are to be benefited from the expenditure of the funds derived from it. The investment in shares of respondent Bank is not alien to the purpose intended because of the Bank's character as a commodity bank for sugar conceived for the industry's growth and development. Furthermore, of note is the fact that one-half, (1/2) or P0.50 per picul, of the amount levied under P.D. No. 388 is to be utilized for the "payment of salaries and wages of personnel, fringe benefits and allowances of officers and employees of PHILSUCOM" thereby immediately negating the claim that the entire amount levied is in trust for sugar, producers, planters and millers.

To rule in petitioners' favor would contravene the general principle that revenues derived from taxes cannot be used for purely private purposes or for the exclusive benefit of private persons. The Stabilization Fund is to be utilized for the benefit of the entire sugar industry, "and all its components, stabilization of the domestic market including the foreign market", the industry being of vital importance to the country's economy and to national interest.

WHEREFORE, the Writ of Mandamus is denied and the Petition hereby dismissed. No costs.

This Decision is immediately executory.

SO ORDERED.

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

Fernan, J., no part, formerly the Counsel for the Bogo-Medellin Planters Association.

[1] "Sec. 6. All collections made under this Act shall accrue to a special fund in the Philippine Treasury, to be known as the 'Sugar Adjustment and Stabilization Fund', and shall be paid out only for any or all of the following purposes or to attain any or all of the following objectives, as may be provided by law.

x x x "

[2] "(5) All money collected on any tax levied for a special purpose shall be treated as a special fund and paid out

for such purpose only. If the purpose for which a special fund was created has been fulfilled or abandoned, the balance, if any, shall be transferred to the general funds of the Government". (1987 Constitution, Art. VI, Sec. 29[3]).

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