

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT  
THIRD DIVISION**

**PRIMITIVO LEVERIZA, FE LEVERIZA,  
PARUNGAO & ANTONIO C. VASCO,  
*Petitioners,***

***-versus-***

**G.R. No. L-66614  
January 25, 1988**

**INTERMEDIATE APPELLATE COURT,  
MOBIL OIL PHILIPPINES & CIVIL  
AERONAUTICS ADMINISTRATION,  
*Respondents.***

X-----X

**DECISION**

**BIDIN, J.:**

This is a Petition for Review on *Certiorari* seeking the reversal of the Decision of the Intermediate Appellate Court, Third Division<sup>[\*]</sup> dated February 29, 1984 in AC-G.R. No. CV No. 61705 entitled Mobil Oil Philippines, Inc., plaintiff-appellee vs. Primitivo Leveriza Parungao,

Antonio C. Vasco and Civil Aeronautics Administration, defendants-appellants; Primitivo Leveriza, Fe Leveriza Parungao and Antonio C. Leveriza, cross-defendant, affirming in toto the decision of the trial court dated April 6, 1976.

As found by the trial court and adopted by the Intermediate Appellate Court, the facts of this case are as follows:

“Around three contracts of lease resolve the basic issues in the instant case. These three contracts are as follows:

First Contract. — For purposes of easy reference and brevity, this contract shall be referred to hereinafter as Contract A. This is a “CONTRACT OF LEASE”, executed between the REPUBLIC OF THE PHILIPPINES, represented by Defendant CIVIL AERONAUTICS ADMINISTRATION, as lessor, and ROSARIO C. LEVERIZA, as lessee, on April 2, 1965, over a certain parcel of land at the MIA area, consisting of approximately 4,502 square meters, at a monthly rental of P450.20, for a period of 25 years, (Exhibit ‘A’, Exhibit ‘I-Leverizas’, Exhibit ‘I-CAA’).

Second Contracts. — For purposes of easy references and brevity, this contract shall be referred to hereinafter as Contract B. This is a ‘LEASE AGREEMENT’, executed between ROSARIO C. LEVERIZA, as lessor, and Plaintiff MOBIL OIL PHILIPPINES, INC., as lessee on May 21, 1965, over 3,000 square meters of that SAME Parcel of land subject of Contract A above mentioned, at a monthly rental of P1,500.00, for a period of 25 years (Exhibit ‘B’, Exhibit 4-Leverizas’).

Third Contract.— For purposes of easy reference and brevity, this contract shall be referred to hereinafter as Contract C. This is a ‘LEASE AGREEMENT’, executed between Defendant CIVIL AERONAUTICS ADMINISTRATION, as lessor, and plaintiff MOBIL OIL PHILIPPINES, INC., as lessee, on June 1, 1968 over that SAME parcel of land (Lot A, on plan being a portion of

Parcel, Psu 2031), containing an area of 3,000 square meters more or less, at a monthly rental of P.25 per square meter for the second 200 square meters, and P.20 per square meter for the rest, for a period of 29 (sic) years. (Exhibit 'C').

“There is no dispute among the parties that the subject matter of the three contracts of lease above mentioned, Contract A, Contract B, and Contract C, is the same parcel of land, with the noted difference that while in Contract A, the area leased is 4,502 square meters, in Contract B and Contract C, the area has been reduced to 3,000 square meters. To summarize:

Contract A — a lease contract of April 2, 1965 between the Republic of the Philippines, represented by Defendant Civil Aeronautics Administration and Rosario C. Leveriza over a parcel of land containing an area of 4,502 square meters, for 25 years.

Contract B — a lease contract (in effect a sublease) of May 21, 1965 between defendant Rosario C. Leveriza and plaintiff Mobil Oil Philippines, Inc. over the same parcel of land, but reduced to 3,000 square meters for 25 years; and

Contract C — a lease contract of June 1, 1968 between defendant Civil Aeronautics Administration and plaintiff Mobil Oil Philippines, Inc., over the same parcel of land, but reduced to 3,000 square meters, for 25 years.

“It is important to note, for a clear understanding of the issues involved, that it appears that defendant Civil Aeronautics Administration as LESSOR, leased the same parcel of land, for durations of time that overlapped to two lessees, to wit: (1) Defendant Rosario C. Leveriza, and that plaintiff Mobil Oil Philippines, Inc., as LESSEE, leased the same parcel of land from two lessors, to wit: (1) defendant Rosario C. Leveriza and (2) defendant Civil Aeronautics Administration, Inc., for durations of time that also overlapped.

“For purposes of brevity defendant Civil Aeronautics Administration shall be referred to hereinafter as defendant CAA.

“Rosario C. Leveriza, the lessee in Contract A and the lessor in Contract B, is now deceased. This is the reason why her successor-in-interest, her heirs, are sued, namely: Defendant Primitivo Leveriza, her second husband, (now also deceased), Fe Leveriza Parungao, her daughter by her second husband, and Antonio C. Vasco, her son by her first husband. For purposes of brevity, these defendants shall be referred to hereinafter as Defendants Leveriza.

“Plaintiff Mobil Oil Philippines, Inc., shall be referred to hereinafter simply as the Plaintiff.” (pp. 95-99, Record on Appeal)

“Plaintiff in this case seeks the rescission or cancellation of Contract A and Contract B on the ground that Contract A from which Contract B is derived and depends has already been cancelled by the defendant Civil Aeronautics Administration and maintains that Contract C with the defendant CAA is the only valid and subsisting contract insofar as the parcel of land, subject to the present litigation is concerned. On the other hand, defendants Leverizas’ claim that Contract A which is their contract with CAA has never been legally cancelled and still valid and subsisting; that it is Contract C between plaintiff and defendant CAA which should be declared void.

“Defendant CAA asserts that Exhibit “A” is still valid and subsisting because its cancellation by Guillermo Jurado was ineffective and asks the court to annul Contract A because of the violation committed by defendant Leveriza in leasing the parcel of land to plaintiff by virtue of Contract B without the consent of defendant CAA. Defendant CAA further asserts that Contract C not having been approved by the Director of Public Works and Communications is not valid.”

After trial, the lower court render judgment on April 6, 1976 the dispositive part of which reads:

“WHEREFORE, after having thus considered the evidence of all the parties, testimonial and documentary, and their memoranda and reply-memoranda, this Court hereby renders judgment:

1. Declaring Contract A as having been validly cancelled on June 28, 1966, and has therefore ceased to have any effect as of that date;
2. Declaring that Contract B has likewise ceased to have any effect as of June 28, 1966 because of the cancellation of Contract A;
3. Declaring that Contract C was validly entered into on June 1, 1968, and that it is still valid and subsisting;
4. Ordering defendant CAA to refund to defendants Leverizas the amount of P32,189.30 with 6% per annum until fully paid;
5. Ordering defendants Leverizas to refund to plaintiff the amount of P48,000.00 with 6% interest per annum until fully paid;
6. Dismissing defendants Leverizas’ four counterclaims against plaintiff;
7. Dismissing defendants Leverizas’ cross-claim against defendant CAA;
8. Dismissing defendant CAA’s counterclaim against plaintiff;
9. Dismissing defendant CAA’s counterclaim against defendant Leverizas.

No pronouncements as to costs.”

On June 2, 1976, defendant Leveriza filed a motion for new trial on the ground of newly discovered evidence, lack of jurisdiction of the court over the case and lack of evidentiary support of the decision which was denied in the order of November 12, 1976 (Rollo, p. 17).

On July 27, 1976, the CAA filed a Motion for Reconsideration, averring that because the lot lease was properly registered in the name of the Republic of the Philippines, it was only the President of the Philippines or an officer duly designated by him who could execute the lease contract pursuant to Sec. 567 of the Revised Administrative Code; that the Airport General Manager has no authority to cancel Contract A, the contract entered into between the CAA and Leveriza, and that Contract C between the CAA and Mobil was void for not having been approved by the Secretary of Public Works and Communications. Said motion was however denied on November 12, 1976 (Rollo, p. 18).

On appeal, the Intermediate Appellate Court, being in full accord with the trial court, rendered a decision on February 29, 1984, the dispositive part of which reads:

“WHEREFORE, finding no reversible error in the decision of the lower court dated April 6, 1976, the same is hereby affirmed in toto.”

Hence, this petition.

The petitioners raised the following assignment of errors:

“I

THE INTERMEDIATE APPELLATE COURT ERRED IN HOLDING THAT THE ADMINISTRATOR OF THE CIVIL AERONAUTICS ADMINISTRATION (CAA) HAD THE STATUTORY AUTHORITY TO LEASE, EVEN WITHOUT APPROVAL OF THE THEN SECRETARY OF PUBLIC WORKS AND COMMUNICATIONS, REAL PROPERTY BELONGING TO THE REPUBLIC OF THE PHILIPPINES.

## II

THE INTERMEDIATE APPELLATE COURT ERRED IN HOLDING THAT THE ADMINISTRATOR OF THE CIVIL AERONAUTICS ADMINISTRATION HAD STATUTORY AUTHORITY, WITHOUT THE APPROVAL OF THE THEN SECRETARY OF PUBLIC WORKS AND COMMUNICATIONS, TO CANCEL A LEASE CONTRACT OVER REAL PROPERTY OWNED BY THE REPUBLIC OF THE PHILIPPINES, WHICH CONTRACT WAS APPROVED, AS REQUIRED BY LAW, BY THE SECRETARY.

## III

THE INTERMEDIATE APPELLATE COURT ERRED WHEN IT RULED THAT THE CONTRACT OF SUBLEASE (CONTRACT B) ENTERED INTO BETWEEN PETITIONERS' PREDECESSOR-IN-INTEREST AND RESPONDENT MOBIL OIL PHILIPPINES, INC. WAS WITHOUT THE CONSENT OF THE ADMINISTRATOR OF THE CIVIL AERONAUTICS ADMINISTRATION.

The petition is devoid of merit.

There is no dispute that Contract "A" at the time of its execution was a valid contract. The issue therefore is whether or not said contract is still subsisting after its cancellation by CAA on the ground of a sublease executed by petitioners with Mobil Oil Philippines without the consent of CAA and the execution of another contract of lease between CAA and Mobil Oil Philippines (Contract "C").

Petitioners contend that Contract "A" is still subsisting because Contract "B" is a valid sublease and does not constitute a ground for the cancellation of Contract "A", while Contract "C", a subsequent lease agreement between CAA and Mobil Oil Philippines is null and void, for lack of approval by the Department Secretary. Petitioners anchor their position on Sections 567 and 568 of the Revised Administrative Code which require among others, that subject contracts should be executed by the President of the Philippines or by

an officer duly designated by him, unless authority to execute the same is by law vested in some other officer (Petition, Rollo, pp. 15-16).

At the other extreme, respondent Mobil Oil Philippines asserts that Contract "A" was validly cancelled on June 28, 1966 and so was Contract "B" which was derived therefrom. Accordingly, it maintains that Contract "C" is the only valid contract insofar as the parcel of land in question is concerned and that approval of the Department Head is not necessary under Section 32 (par. 24) of the Republic Act 776 which expressly vested authority to enter into such contracts in the Administrator of CAA (Comment; Rollo, p. 83).

On its part, respondent Civil Aeronautics Administration took the middle ground with its view that Contract "A" is still subsisting as its cancellation is ineffective without the approval of the Department Head but said contract is not enforceable because of petitioners' violation of its terms and conditions by entering into Contract "B" of sublease without the consent of CAA. The CAA further asserts that Contract "C" not having been approved by the Secretary of Public Works and Communications, is not valid (Rollo, p. 43). However, in its comment filed with the Supreme Court, the CAA made a complete turnabout adopting the interpretation and ruling made by the trial court which was affirmed by the Intermediate Appellate Court (Court of Appeals), that the CAA Administrator has the power to execute the deed or contract of lease involving real properties under its administration belonging to the Republic of the Philippines without the approval of the Department Head as clearly provided in Section 32, paragraph (24) of Republic Act 776.

The issue narrows down to whether or not there is a valid ground for the cancellation of Contract "A."

Contract "A" was entered into by CAA as the lessor and the Leverizas as the lessee specifically "for the purpose of operating and managing a gasoline station by the latter, to serve vehicles going in and out of the airport."

As regards prior consent of the lessor to the transfer of rights to the leased premises, the provision of paragraph 7 of said Contract reads in full:

“7. The Party of the Second part may transfer her rights to the leased premises but in such eventuality, the consent of the Party of the First Part shall first be secured. In any event, such transfer of rights shall have to respect the terms and conditions of this agreement.”

Paragraph 8 provides the sanction for the violation of the above-mentioned terms and conditions of the contract. Said paragraph reads:

“8. Failure on the part of the Party of the Second Part to comply with the terms and conditions herein agreed upon shall be sufficient for revocation of this contract by the Party of the First Part without need of judicial demand.”

It is not disputed that the Leverizas (lessees) entered into a contract of sublease (Contract “B”) with Mobil Oil Philippines without the consent of CAA (lessor). The cancellation of the contract was made in a letter dated June 28, 1966 of Guillermo P. Jurado, Airport General Manager of CAA addressed to Rosario Leveriza, as follows:

(Letterhead)

“June 28, 1966

Mrs. Rosario Leveriza  
Manila International Airport.

Madam:

It has been found out by the undersigned that you have sublet the property of the CAA leased to you and by virtue of this, your lease contract is hereby cancelled because of the violation of the stipulations of the contract. I would like to inform you that even without having sublet the said property the said contract would have been cancelled as per attached communication.

Very truly yours,  
For the Director:

(Sgd.) Illegible  
(Typed)

GUILLERMO P. JURADO  
Airport General Manager

Respondent Leverizas and the CAA assailed the validity of such cancellation, claiming that the Airport General Manager had no legal authority to make the cancellation. They maintain that it is only the Secretary of Public Works and Communications, acting for the President, or by delegation of power, the Director of Civil Aeronautics Administration who could validly cancel the contract. They do admit, however, and it is evident from the records that the Airport General Manager signed "For the Director." Under the circumstances, there is no question that such act enjoys the presumption of regularity, not to mention the unassailable fact that such act was subsequently affirmed or ratified by the Director of the CAA himself (Record on Appeal, pp. 108-110).

Petitioners argue that cancelling or setting aside a contract approved by the Secretary is, in effect, repealing an act of the Secretary which is beyond the authority of the Administrator.

Such argument is untenable. The terms and conditions under which such revocation or cancellation may be made, have already been specifically provided for in Contract "A" which has already been approved by the Department Head. It is evident that in the implementation of aforesaid contract, the approval of said Department Head is no longer necessary if not redundant.

It is further contended that even granting that such cancellation was effective, a subsequent billing by the Accounting Department of the CAA has in effect waived or nullified the rescission of Contract "A."

It will be recalled that the questioned cancellation of Contract "A" was among others, mainly based on the violation of its terms and

conditions, specifically, the sublease of the property by the lessee without the consent of the lessor.

The billing of the petitioners by the Accounting Department of the CAA if indeed it transpired, after the cancellation of Contract "A" is obviously an error. However, this Court has already ruled that the mistakes of government personnel should not affect public interest. In *San Mauricio Mining Company vs. Ancheta* (105 SCRA 391, 422), it has been held that as a matter of law rooted in the protection of public interest, and also as a general policy to protect the government and the people, errors of government personnel in the performance of their duties should never deprive the people of the right to rectify such error and recover what might be lost or be bartered away in any actuation, deal or transaction concerned. In the case at bar, the lower court in its decision which has been affirmed by the Court of Appeals, ordered the CAA to refund to the petitioners the amount of rentals which was not due from them with 6% interest per annum until fully paid.

Petitioners further assail the interpretation of Contract "A", claiming that Contract "B" was a mere sublease to respondent Mobil Oil Philippines, Inc. and requires no prior consent of CAA to perfect the same. Citing Article 1650 of the Civil Code, they assert that the prohibition to sublease must be expressed and cannot be merely implied or inferred (Rollo, p. 151).

As correctly found by the Court of Appeals, petitioners in asserting the non-necessity for a prior consent interprets the first sentence of paragraph 7 of Contract "A" to refer to an assignment of lease under Article 1649 of the Civil Code and not to a mere sublease. A careful scrutiny of said paragraph of Contract "A" clearly shows that it sneaks of transfer of rights of Rosario Leveriza to the leased premises and not to assignment of the lease (Rollo, pp. 48-49).

Petitioners likewise argued that it was contemplated by the parties to Contract "A" that Mobil Oil Philippines would be the owner of the gasoline station it would construct on the leased premises during the period of the lease, hence, it is understood that it must be given a right to use and occupy the lot in question in the form of a sub-lease (Rollo, p. 152).

In Contract “A”, it was categorically stated that it is the lessee (petitioner) who will manage and operate the gasoline station. The fact that Mobil Oil was mentioned in that contract was clearly not intended to give approval to a sublease between petitioners and said company but rather to insure that in the arrangements to be made between them, it must be understood that after the expiration of the lease contract, whatever improvements have been constructed in the leased premises shall be relinquished to CAA. Thus, this Court held that “the primary and elementary rule of construction of documents is that when the words or language thereof is clear and plain or readily understandable by any ordinary reader thereof, there is absolutely no room for interpretation or construction anymore.” (San Mauricio Mining Company vs. Ancheta, supra).

Finally, petitioners contend that the administrator of CAA cannot execute without approval of the Department Secretary, a valid contract of lease over real property owned by the Republic of the Philippines, citing Sections 567 and 568 of the Revised Administrative Code, which provide as follows:

“SEC. 567. Authority of the President of the Philippines to execute contracts relative to real property. — When the Republic of the Philippines is party to a deed conveying the title to real property or is party to any lease or other contract relating to real property belonging to said government, said deed or contract shall be executed on behalf of said government by the President of the Philippines or by an officer duly designated by him, unless authority to execute the same is by law expressly vested in some other officer.” (Emphasis supplied)

“SEC. 568. Authority of national officials to make contract. — Written contracts not within the purview of the preceding section shall, in the absence of special provision, be executed, with the approval of the proper Department Head, by the Chief of the Bureau or Office having control of the appropriation against which the contract would create a charge; or if there is no such chief, by the proper Department Head himself or the President of the Philippines as the case may require.”

On the other hand, respondent CAA avers that the CAA Administrator has the authority to lease real property belonging to the Republic of the Philippines under its administration even without the approval of the Secretary of Public Works and Communications, which authority is expressly vested in it by law, more particularly Section 32 (24) of Republic Act 776, which reads:

“Sec. 32. Powers and Duties of the Administrator. — Subject to the general control and supervision of the Department Head, the Administrator shall have, among others, the following powers and duties:

X X X

“(24) To administer, operate, manage, control, maintain and develop the Manila International Airport and all government aerodromes except those controlled or operated by the Armed Forces of the Philippines including such power and duties as: (b) to enter into, make and execute contracts of any kind with any person, firm, or public or private corporation or entity; (c) to acquire, hold, purchase, or lease any personal or real property, right of ways, and easements which may be proper or necessary: Provided, that no real property thus acquired and any other real property of the Civil Aeronautics Administration shall be sold without the approval of the President of the Philippines.”

There is no dispute that the Revised Administrative Code is a general law while Republic Act 776 is a special law nor in the fact that the real property subject of the lease in Contract “C” is real property belonging to the Republic of the Philippines.

Under 567 of the Revised Administrative Code, such contract of lease must be executed: (1) by the President of the Philippines, or (2) by an officer duly designated by him or (3) by an officer expressly vested by law. It is readily apparent that in the case at bar, the Civil Aeronautics Administration has the authority to enter into Contracts of Lease for the government under the third category. Thus, as correctly ruled by the Court of Appeals, the Civil Aeronautics Administration has the

power to execute the deed or contract involving leases of real properties belonging to the Republic of the Philippines, not because it is an entity duly designated by the President but because the said authority to execute the same is, by law expressly vested in it.

Under the above-cited Section 32 (par. 24) of Republic Act 776, the Administrator (Director) of the Civil Aeronautics Administration by reason of its creation and existence, administers properties belonging to the Republic of the Philippines and it is on these properties that the Administrator must exercise his vast power and discharge his duty to enter into, make and execute contract of any kind with any person, firm, or public or private corporation or entity and to acquire, hold, purchase, or lease any personal or real property, right of ways and easements which may be proper or necessary. The exception, however, is the sale of properties acquired by CAA or any other real properties of the same which must have the approval of the President of the Philippines. The Court of Appeals took cognizance of the striking absence of such proviso in the other transactions contemplated in paragraph (24) and is convinced as we are, that the Director of the Civil Aeronautics Administration does not need the prior approval of the President or the Secretary of Public Works and Communications in the execution of Contract "C."

In this regard, this Court ruled that another basic principle of statutory construction mandates that general legislation must give way to special legislation on the same subject, and generally be so interpreted as to embrace only cases in which the special provisions are not applicable (*Sto. Domingo vs. De los Angeles*, 96 SCRA 139), that specific statute prevails over a general statute (*De Jesus vs. People*, 120 SCRA 760) and that where two statutes are of equal theoretical application to a particular case, the one designed therefor specially should prevail (*Wil Wilhensen, Inc. vs. Baluyot*, 83 SCRA 38).

**WHEREFORE**, the Petition is **DISMISSED** for lack of merit and the Decision of the Court of Appeals appealed from is **AFFIRMED** in toto.

**SO ORDERED.**

**Gutierrez, Jr., Feliciano and Cortes, *JJ.*, concur.  
Fernan, *J.*, took no part.**

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[\*] Penned by Justice Floreliana Castro-Bartolome, and concurred by Justices Jorge R. Coquia and Mariano A. Zosa.

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