

## SECOND DIVISION

[ G.R. No. 172525, October 20, 2010 ]

**SHINRYO (PHILIPPINES) COMPANY, INC., PETITIONER, VS. RRN  
INCORPORATED,\* RESPONDENT.**

### D E C I S I O N

**PERALTA, J.:**

This resolves the Petition for Review on *Certiorari* under Rule 45 of the Rules of Court, praying that the Decision<sup>[1]</sup> of the Court of Appeals (CA) dated February 22, 2006, affirming the Decision of the Construction Industry Arbitration Commission (CIAC), and the CA Resolution<sup>[2]</sup> dated April 26, 2006, denying herein petitioner's motion for reconsideration, be reversed and set aside.

The facts, as accurately narrated in the CA Decision, are as follows.

Petitioner Shinryo (Philippines) Company, Inc. (hereinafter petitioner) is a domestic corporation organized under Philippine laws. Private respondent RRN Incorporated (hereinafter respondent) is likewise a domestic corporation organized under Philippine laws.

Respondent filed a claim for arbitration against petitioner before CIAC for recovery of unpaid account which consists of unpaid portions of the sub-contract, variations and unused materials in the total sum of P5,275,184.17 and legal interest in the amount of P442,014.73. Petitioner filed a counterclaim for overpayment in the amount of P2,512,997.96.

The parties admitted several facts before the CIAC. It was shown that petitioner and respondent executed an Agreement and Conditions of Sub-contract (hereafter Agreement signed on June 11, 1996 and June 14, 1996, respectively. Respondent signified its willingness to accept and perform for petitioner in any of its projects, a part or the whole of the works more particularly described in Conditions of Sub-Contract and other Sub-contract documents.

On June 11, 2002, the parties executed a "Supply of Manpower, Tools/Equipment, Consumables for the Electrical Works-Power and Equipment Supply, Bus Duct Installation" for the Phillip Morris Greenfield Project (hereafter Project) covered by Purchase Order Nos. 4501200300-000274 and 4501200300-000275 amounting to P15,724,000.00 and P9,276,000.00 respectively, or a total amount of P25,000,000.00. The parties also agreed that respondent will perform variation orders in the Project. In connection with the Project, petitioner supplied manpower

chargeable against respondent.

Respondent was not able to finish the entire works with petitioner due to financial difficulties. Petitioner paid respondent a total amount of P26,547,624.76. On June 25, 2005 [should read 2003], respondent, through its former counsel sent a letter to petitioner demanding for the payment of its unpaid balance amounting to P5,275,184.17. Petitioner claimed material back charges in the amount of P4,063,633.43. On September 26, 2003, respondent only acknowledged P2,371,895.33 as material back charges. Thereafter, on October 16, 2003, respondent sent another letter to petitioner for them to meet and settle their dispute.

On January 8, 2004, respondent sent another letter to petitioner regarding the cost of equipment rental and the use of scaffolding. Thereafter, on August 12, 2004, petitioner sent a letter to respondent denying any unpaid account and the failure in their negotiations for amicable settlement.

On September 3, 2004, respondent, through its new counsel, advised petitioner of their intention to submit the matter to arbitration. Thereafter, their dispute was submitted to arbitration. During the preliminary conference, the parties agreed in their Terms of Reference to resolve eight issues, to wit:

1. What should be the basis in evaluating the variation cost?

- 1.1 How much is the variation cost?

2. Is the Respondent (petitioner in the instant case) justified in charging claimant (herein respondent) the equipment rental fee and for the use of the scaffoldings? If so, how much should be charged to Claimant?

3. What should be the basis in evaluating the total cost of materials supplied by Respondent to the Project which is chargeable to Claimant?

- 3.1 How much is the total cost of materials supply chargeable to Claimant?

4. How much is the value of the remaining works left undone by the Claimant in the project?

5. Is the Claimant's claim for inventory of excess materials valid? If so, how much is the value thereof?

6. Is the Respondent entitled to its claim for an overpayment in the amount of P2,512,997.96?

7. Is Claimant entitled to its claim for interest? If so, how much?

8. Who between the parties shall bear the cost of Arbitration?

The CIAC rendered the assailed decision after the presentation of the parties' evidence. [The dispositive portion of said decision reads as follows:

WHEREFORE, judgment is hereby rendered in favor of the claimant and respondent is ordered to pay claimant its unpaid account in the sum of P3,728,960.54 plus legal interest of 6% reckoned from June 25, 2003 up to the filing of the case on October 11, 2004 and 12% of P3,728,960.54 from the finality of the judgment until fully paid and arbitration cost of P104,333.82 representing claimant's share of the arbitration cost which respondent should reimburse.

SO ORDERED.]

Petitioner accepts the ruling of the CIAC only in Issue No. 1 and Sub-Issue No. 1.1 and in Issue No. 2 in so far as the amount of P440,000.00 awarded as back charges for the use of scaffoldings. x x x<sup>[3]</sup>

On February 22, 2006, the CA promulgated the assailed Decision affirming the decision of the CIAC. The CA upheld the CIAC ruling that petitioner failed to adduce sufficient proof that the parties had an agreement regarding charges for respondent's use of the manlift. As to the other charges for materials, the CA held that the evidence on record amply supports the CIAC findings. Petitioner moved for reconsideration of said ruling, but the same was denied per Resolution dated April 26, 2006.

Hence, this petition where it is alleged that:

I. THE HONORABLE COURT OF APPEALS COMMITTED GRAVE REVERSIBLE ERROR WHEN IT DENIED PETITIONER'S CLAIM FOR MANLIFT EQUIPMENT RENTAL IN THE AMOUNT OF P511,000.00 DESPITE EVIDENCE ON RECORD THAT RESPONDENT RRN ACTUALLY USED AND BENEFITED FROM THE MANLIFT EQUIPMENT.

II. IN RENDERING THE QUESTIONED DECISION AND QUESTIONED RESOLUTION, THE HONORABLE COURT OF APPEALS HAS DECIDED A QUESTION OF SUBSTANCE NOT IN ACCORD WITH LAW AND/OR WITH THE APPLICABLE DECISIONS OF THE HONORABLE SUPREME COURT.

III. THE COURT OF APPEALS COMMITTED A GRAVE REVERSIBLE ERROR IN AFFIRMING THE CIAC AWARD FOR THE VALUE OF INVENTORIED MATERIALS CONSIDERING THAT:

A. RESPONDENT RRN ADMITTED THE VALIDITY OF THE DEDUCTIONS ON ACCOUNT OF MATERIAL SUPPLY, WHICH INCLUDED THE INVENTORIED MATERIALS.

B. RESPONDENT RRN HAS NO BASIS TO CLAIM BECAUSE ENGR. BONIFACIO ADMITTED THAT RESPONDENT RRN FAILED TO ESTABLISH WHETHER THE MATERIALS CAME FROM RESPONDENT RRN OR FROM PETITIONER AND THAT IT WAS PETITIONER THAT ACTUALLY INSTALLED THE SAID MATERIALS AS PART OF REMAINING WORKS THAT PETITIONER TOOK OVER FROM RESPONDENT RRN.

C. THE CLAIM FOR THE VALUE OF INVENTORIED MATERIALS IS A DOUBLE CLAIM OR DOUBLE ENTRY BECAUSE IN THE COMPUTATION OF THE FINAL ACCOUNT, RESPONDENT RRN WAS CREDITED THE FULL CONTRACT PRICE AND THE COST OF VARIATIONS, WHICH INCLUDED THE INVENTORIED MATERIALS.

IV. IN RENDERING THE QUESTIONED DECISION AND QUESTIONED RESOLUTION, THE COURT OF APPEALS COMMITTED A GRAVE REVERSIBLE ERROR IN THAT IT COMPLETELY DISREGARDED THE PROVISION OF THE SUBCONTRACT, WHICH ALLOWED PAYMENT OF ACTUAL COST INCURRED BY PETITIONER IN COMPLETING THE REMAINING WORKS THAT PRIVATE RESPONDENT ADMITTEDLY FAILED TO COMPLETE.

V. THE COURT OF APPEALS COMMITTED A GRAVE REVERSIBLE ERROR WHEN IT COMPLETELY DISREGARDED THE EVIDENCE ON ACTUAL COST INCURRED BY PETITIONER IN COMPLETING THE REMAINING WORKS.

VI. THE COURT OF APPEALS COMMITTED GRAVE REVERSIBLE ERROR WHEN IT AFFIRMED THE CIAC AWARD FOR INTERESTS AND ARBITRATION COSTS IN FAVOR OF RESPONDENT RRN.<sup>[4]</sup>

The petition is bereft of merit.

Despite petitioner's attempts to make it appear that it is advancing questions of law, it is quite clear that what petitioner seeks is for this Court to recalibrate the evidence it has presented before the CIAC. It insists that its evidence sufficiently proves that it is entitled to payment for respondent's use of its manlift equipment, and even absent proof of the supposed agreement on the charges petitioner may impose on respondent for the use of said equipment, respondent should be made to pay based on the principle of unjust enrichment. Petitioner also questions the amounts awarded by the CIAC for inventoried materials, and costs incurred by petitioner for completing the work left unfinished by respondent.

As reiterated by the Court in *IBEX International, Inc. v. Government Service Insurance System*,<sup>[5]</sup> to wit: