



Republic of the Philippines
Supreme Court
 Manila

SUPREME COURT OF THE PHILIPPINES
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SECOND DIVISION

**SUBIC BAY METROPOLITAN
 AUTHORITY,**

Petitioner,

G.R. No. 237591

Present:

- versus -

PERLAS-BERNABE, S.A.J.,
Chairperson,
 HERNANDO,
 INTING,
 GAERLAN, and
 DIMAAMPAO, JJ.

**SUBIC BAY MARINE
 EXPLORATORIUM, INC.,**

Respondent.

Promulgated:

NOV 10 2021

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DECISION

GAERLAN, J.:

The Court's primary duty is to render justice free from the constraints of technicalities. On this score, an appeal that is belatedly filed may be given due course when substantial justice and paramount public interest demand.

This resolves the petition for review on *certiorari*¹ under Rule 45 of the Rules of Court filed by petitioner Subic Metropolitan Authority (SBMA) praying for the reversal of the Decision² dated August 14, 2017 and the Resolution³ dated February 13, 2018 of the Court of Appeals (CA) in CA-G.R. SP No. 144234. The CA affirmed the Orders dated October 7, 2015 and December 22, 2015 issued by the Regional Trial Court (RTC) of Olongapo City, Branch 74, denying due course to SBMA's notice of appeal.

¹ *Rollo*, pp. 3-28.

² *Id.* at 33-41. Penned by Associate Justice Renato C. Francisco with Associate Justices Sesinando E. Villon and Manuel M. Barrios, concurring.

³ *Id.* at 42-43.

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Antecedents

Petitioner SBMA was created under Republic Act (R.A.) No. 7227 to oversee the development and conversion of the Subic Special Economic Zone, more popularly known as the Subic Bay Freeport Zone (SBFZ).⁴ SBMA was given a special mandate to develop the SBFZ as a self-sustaining industrial, commercial, and investment center that will generate employment opportunities in and around the zone. It finances the development of the SBFZ from its own funds without any assistance and subsidy from the national government.⁵

In line with its mandate, SBMA provides SBFZ's locators and residents municipal services consisting of security services or law enforcement, fire protection and prevention, street cleaning, and street lighting, among others. The expenses incurred for said municipal services consume a huge chunk of its revenues. In fact, the expenditures on said municipal services cost a hefty annual fee of ₱388,000,000.00.⁶

To recoup its expenses for the municipal services, SBMA decided to impose a Common User Service Area (CUSA) Fee. The CUSA fee will charge SBMA's direct tenants their proportionate share for security and law enforcement, fire protection and prevention, street cleaning, and street lighting services.⁷

Consequently, on April 13, 2012, the SBMA Board of Directors approved the Policy on CUSA fee through Board Resolution No. 12-04-4348. Then, on May 9, 2012, SBMA informed all its direct lessees and residents of the planned imposition of the CUSA fee. It distributed a primer containing factual and legal background information on the CUSA fee, including the penalties for non payment thereof. Thereafter, SBMA conducted four (4) public hearings regarding the basis and imposition of the CUSA fee and the implications of non-payment.⁸

Subsequently, on August 3, 2012, SBMA passed Board Resolution No. 12-08-4505 amending some provisions on the CUSA fee. Afterwards, SBMA posted Board Resolution Nos. 12-04-4348 and 12-08-4505 in conspicuous places and on its website. SBMA further caused the same to be published in newspapers of general circulation and registered its full text at the University of the Philippines Law Center. Additionally, SBMA sent letters dated August

⁴ Id. at 5.

⁵ Id.

⁶ Id. at 7.

⁷ Id. at 7-8.

⁸ Id. at 8.

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24, 2012, to all its locators and residents informing them of the approval of the policy on CUSA fee, the rates therefor, and the penalties for non-payment.⁹

On October 1, 2012, the Office of the President (OP) issued Administrative Order No. 31, entitled "*Directing and Authorizing All Heads of Departments, Bureaus, Commissions, Agencies, Offices and Instrumentalities of the National Government, Including Government-Owned and/or Controlled Corporations (GOCCs), To Rationalize The Rates of Their Fees and Charges, Increase Their Existing Rates and Impose New Fees and Charges.*" The OP directed and authorized SBMA to rationalize the rates of its existing fees and charges, and if found necessary, to increase such rates and impose new fees and charges. The directive fortified SBMA's authority to impose the CUSA fee on its tenants.¹⁰

Meanwhile, on December 18, 2012, respondent Subic Bay Marine Exploratorium, Inc. (SBMEI), SBMA's locator and lessee which conducts business at the SBFZ, filed a Complaint with Prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction. SBMEI prayed, among others, that SBMA Board Resolution No. 12-04-4348, as amended by SBMA Board Resolution No. 12-08-4505, as well as pertinent billings and statements of account, invoices and the like, imposing and/or collecting a CUSA fee against SBMEI, be declared null and void for being illegal and unconstitutional. It further prayed that SBMA and its officers, employees and/or representatives be permanently enjoined from implementing the CUSA fee.¹¹

On February 28, 2013, SBMA filed its Answer. It alleged that SBMEI failed to exhaust administrative remedies and, thus, has no cause of action against it. It maintained that the implementation of the CUSA fee is in accordance with R.A. No. 7227 (as amended by R.A. No. 9400), its Implementing Rules and Regulations (IRR), and Administrative Order No. 31. SBMA urged that SBMEI's Lease Agreement at SBFZ grants it (SBMA) authority to implement the CUSA fee against SBMEI. It stressed that it observed due process before the implementation of said fee. SBMA likewise clarified that the CUSA fee is not a tax, and is based on a specific formula that will result in a fixed and certain amount. It countered that the CUSA fee has already been implemented so there is nothing left to be prevented by way of injunction. Finally, it bewailed that it stands to suffer grave and irreparable injury if the implementation of the CUSA fee is enjoined.¹²

⁹ Id.

¹⁰ Id. at 8-9.

¹¹ Id. at 9-10.

¹² Id. at 10.

Ruling of the RTC

On January 5, 2015, the RTC rendered a Decision enjoining SBMA from collecting a CUSA fee from SBMEI:

WHEREFORE, in view of the foregoing, judgment is hereby rendered in favor of plaintiff SBMEI as follows:

- a. Annuling SBMA Board Resolution No. 12-04-4348 as amended by SBMA Board Resolution No. 12-08-4505 in so far as plaintiff SBMEI is concerned;
- b. Annuling all pertinent billing and statement of account, invoices and the like, imposing and/or collecting CUSA fee from the Plaintiff SBMEI;
- c. Permanently enjoining defendant SBMA and its officers, employees and/or representatives from implementing the collection of the CUSA fee as to plaintiff SBMEI.

SO DECIDED.¹³

On February 17, 2015, SBMA filed a Motion for Reconsideration, which was denied in the RTC Order dated August 26, 2015.¹⁴

On September 2, 2015, a court personnel from the RTC Branch 74 handed the Order dated August 26, 2015, to Atty. Anna Reyes (Atty. Reyes), a lawyer of the SBMA Legal Department who was at Branch 74 for an appointment. The Order was contained in an envelope. On even date, Atty. Reyes endorsed the Order to the SBMA Legal Department's Litigation and Collection Division. A newly hired clerk at the said Division received the Order. The envelope containing the Order was stamped received on September 3, 2015, and was opened on said date. Fifteen (15) days thereafter, or on September 18, 2015, SBMA filed its Notice of Appeal.¹⁵

On October 7, 2015, the RTC issued an Order denying SBMA's Notice of Appeal for having been filed one (1) day late. The RTC stressed that the last day for the filing of the Notice of Appeal was on September 17, 2015, and not on September 18, 2015.¹⁶

The dispositive portion of the RTC Order reads:

¹³ Id. at 11.

¹⁴ Id.

¹⁵ Id.

¹⁶ Id. at 12.

IN VIEW THEREOF, the notice of appeal cannot be given due course.

SO ORDERED.¹⁷

Aggrieved, SBMA filed a Motion for Reconsideration dated October 26, 2015, followed by a Supplement to the Motion for Reconsideration dated November 5, 2015.¹⁸

However, the Motions were denied in the RTC Order dated December 22, 2015. The RTC refused to give credence to the explanations offered by SBMA. It held that Atty. Reyes is part of the SBMA Legal Department; thus, service upon her is considered a valid service on SBMA. Overall, it refused to tolerate SBMA's inadvertence and, accordingly, disposed of the Motions as follows:¹⁹

WHEREFORE, in view of the foregoing, the Motion for Reconsideration filed by [petitioner] SBMA is DENIED.

SO ORDERED.²⁰

Dissatisfied with the ruling, SBMA filed a Petition for *Certiorari* with Urgent Prayer for Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction before the CA, assailing the Orders dated October 7, 2015 and December 22, 2015.²¹

Ruling of the CA

On August 14, 2017, the CA rendered the assailed Decision²² dismissing SBMA's petition. The CA declared that the RTC did not act with grave abuse of discretion in denying the notice of appeal that was filed one-day late. The CA opined that the RTC may not be faulted for strictly applying the reglementary period provided under *Batas Pambansa Blg. 129* and Section 3, Rule 41 of the Rules of Court. The CA agreed with the RTC that SBMA failed to justify its delay in filing its notice of appeal.²³

The dispositive portion of the CA ruling reads:

¹⁷ Id.

¹⁸ Id.

¹⁹ Id. at 37.

²⁰ Id. at 12.

²¹ Id.

²² Id. at 33-41.

²³ Id. at 37.

WHEREFORE, premises considered, the petition is hereby DISMISSED. Accordingly, the assailed October 7, 2015 and December 22, 2015 *Orders* issued by respondent court in Civil Case No. 156-012 are AFFIRMED.

SO ORDERED.²⁴

SBMA filed a Motion for Reconsideration, which was denied in the CA's Resolution²⁵ dated February 13, 2018.

Undeterred, SBMA filed the instant petition for review on *certiorari*.²⁶

Issue

The crux of the petition rests on whether or not SBMA's appeal may be given due course.

Seeking the Court's liberality, SBMA explains that the notice of appeal was filed with the honest belief that the RTC's Order denying its Motion for Reconsideration was received on September 3, 2015. It narrates that the RTC's Order was stamped received on September 3, 2015, which formed the basis for computing the fifteen (15)-day period to perfect the appeal.²⁷ It admits that said mishap was due to the mistake of its newly hired clerk coupled with the handling lawyer's honest belief on the actual date of receipt.²⁸ It implores that its counsel's purported negligence should not affect its right to be heard on the merits of its appeal.²⁹ It stresses that it had no participatory negligence in the belated filing of its appeal.

Similarly, SBMA urges that the factual circumstances and merits of the case warrant a relaxation of the rules. It contends that the errors in the RTC's Decision dated January 5, 2015, are evident on its face, and even more glaring after an examination of the records. It points out that the case at bar is highly impressed with public interest and bears heavy implications. It exhorts that it and the national government immediately stand to lose a substantial amount of funds every year if the CUSA fee is invalidated.

Finally, SBMA points out that there are pending cases filed by its locators Philip Morris and Subic Techno Park, where the RTC of Olongapo affirmed the

²⁴ Id. at 40.

²⁵ Id. at 42-43.

²⁶ Id. at 3-28.

²⁷ Id. at 19.

²⁸ Id. at 20.

²⁹ Id. at 19-20.

validity of the CUSA fee.³⁰ It surmises that if the case at bar is not heard on the merits, SBMEI will enjoy an unfair advantage over the locators who have been ordered to pay the CUSA fee. It laments that SBMEI will gain unwarranted benefits by enjoying SBMA's municipal services, while being exempt from the fees appurtenant thereto.³¹

On the other hand, SBMEI retorts that the RTC and the CA acted accordingly when they denied SBMA's appeal for having been filed beyond the fifteen (15)-day reglementary period. It faults SBMA of gross negligence in failing to file its appeal on time and points out that SBMA failed to provide an adequate explanation for its late filing. It contends that SBMA may not be exempted from the rules just because it is a government agency.³² It stresses that *certiorari* is not a substitute for a lost appeal, especially if the right to appeal was lost through negligence.³³ Thus, it asserts that the RTC Decision dated January 5, 2015, has become final, executory, and immutable,³⁴ and may no longer be modified in any respect.³⁵

Ruling of the Court

The petition is impressed with merit.

Procedural rules must yield to substantial justice.

An appeal is an essential part of our judicial system.³⁶ Indeed, the right to appeal is not a constitutional, natural, or inherent right, but a mere statutory privilege to be exercised only in accordance with the provisions of the law.³⁷ Thus, the party who seeks to avail of the remedy of appeal must comply with the requirements of the law and rules; otherwise he/she will lose the right to appeal.³⁸ The failure to perfect an appeal in the manner and within the period prescribed by law renders the assailed decision final and executory.³⁹

³⁰ Id. at 16.

³¹ Id. at 25.

³² Id. at 140.

³³ Id. at 143-144.

³⁴ Id. at 140.

³⁵ Id. at 146.

³⁶ *Trans International v. Court of Appeals*, 358 Phil. 369, 373 (1998), citing *Velasco v. Judge Gayapa, Jr.*, 236 Phil. 473, 476 (1987).

³⁷ *Remulla v. Manlongat*, 484 Phil. 832, 838 (2004), citing *Yao v. Court of Appeals*, 398 Phil. 86, 101 (2000); *Republic v. Court of Appeals*, 372 Phil. 259, 265 (1999); *Lacson v. The Executive Secretary*, 361 Phil. 251, 276 (1999); *Producers Bank of the Philippines v. Court of Appeals*, 430 Phil. 812, 828 (2002); *Republic v. Court of Appeals*, 379 Phil. 92, 98 (2000); *Cabellan v. Court of Appeals*, 363 Phil. 460, 467 (1999); *Spouses Ortiz v. Court of Appeals*, 360 Phil. 95, 100-101 (1998).

³⁸ *Trans International v. Court of Appeals*, supra note 36, citing *Villanueva v. Court of Appeals*, 282 Phil. 555, 561 (1992).

³⁹ *Remulla v. Manlongat*, supra note 37, citing *Yao v. Court of Appeals*, supra note 37 at 100; *Dayrit v. Phil. Bank of Communications*, 435 Phil. 120, 128-129 (2002); *EGV Realty Development Corporation v. Court of Appeals*, 369 Phil. 911, 923 (1999).

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However, the rules on appeal are not iron-clad. In special instances, the Court balances the stringent application of technical rules *vis-a-vis* strong policy considerations, equity and justice.⁴⁰ Ultimately, the goal is to afford every party-litigant the amplest opportunity for the proper and just determination of his/her cause, free from the constraints of technicalities.⁴¹ The rules should not be applied in a very rigid and technical sense, but used to secure substantial justice.⁴²

Equally noteworthy, courts must not be too dogmatic in rendering decisions. Rather, they must view the case in its entirety in order to render a just and equitable judgment.⁴³ Certainly, it is far better to dispose of the case on the merits than on technicality which may result in injustice.⁴⁴ To this end, procedural law must be used to facilitate the application of justice to the rival claims of contending parties, bearing in mind that the rules are created not to hinder or delay, but to facilitate and promote the administration of justice.⁴⁵ Thus, when warranted, the rules of procedure must yield to the loftier demands of substantial justice and equity.⁴⁶

Moreover, trial courts have been warned to proceed with caution in hastily dismissing appeals⁴⁷ to afford every party litigant the amplest opportunity for the proper and just disposition of his/her cause, free from the constraints of technicalities.⁴⁸ Similarly, courts must relax the period for perfecting an appeal on grounds of substantial justice, or upon the presence of special and meritorious circumstances and issues.⁴⁹

This liberal stance has been underscored in jurisprudence. Remarkably, it is not uncommon for the Court to give due course to an appeal that is belatedly filed. In *Republic v. Court of Appeals*,⁵⁰ the Court condoned a six (6)-day delay

⁴⁰ *Trans International v. Court of Appeals*, supra at 379.

⁴¹ *Id.* at 374-375.

⁴² *Id.*, citing *Velasco v. Judge Gayapa, Jr.*, supra note 36 at 477, citing *Gregorio v. Court of Appeals*, 165 Phil. 588, 589 (1976).

⁴³ *Samala v. Court of Appeals*, 416 Phil. 1, 7, (2001).

⁴⁴ *Id.*, citing *AFP Mutual Benefit Association, Inc. v. Court of Appeals*, 370 Phil. 150, 166 (1999). See also *Oil and Natural Gas Commission v. Court of Appeals*, 373 Phil. 928, 940-941 (1999); *Aguam v. Court of Appeals*, 388 Phil. 587, 592-593 (2000); *Tan Boon Bee & Co., Inc. v. Judge Jarencio*, 246 Phil. 211, 218-219 (1988), citing *De las Alas v. Court of Appeals*, 172 Phil. 559, 575 (1978); *Nerves v. Civil Service Commission*, 342 Phil. 578, 585 (1997).

⁴⁵ *Id.*, citing *Maunlad Savings and Loan Association v. Court of Appeals*, 399 Phil. 590, 603 (2000), citing *AFP Mutual Benefit Association, Inc. v. Court of Appeals*, supra note 44.

⁴⁶ *Remulla v. Manlongat*, supra, citing *Nueva Ecija I Electric Cooperative, Inc. v. National Labor Relation Commission*, 380 Phil. 44, 54 (2000).

⁴⁷ *National Waterworks and Sewerage Authority v. Municipality of Libmanan*, 186 Phil. 79, 83-84 (1980).

⁴⁸ *A-One Feeds, Inc. v. Court of Appeals*, 188 Phil. 577, 580 (1980).

⁴⁹ *Remulla v. Manlongat*, supra at 838-839, citing *Yutingco v. Court of Appeals*, 435 Phil. 83, 91 (2002); *Tan Tiac Chiong v. Cosico*, 434 Phil. 753, 760 (2002); *Olacao v. National Labor Relations Commission*, 257 Phil. 878, 887-888 (1989), *Equitable PCI Bank v. Ku*, 407 Phil. 609 (2001); *De Guzman v. Sandiganbayan*, 326 Phil. 182, 188-189 (1996); *Orata v. Intermediate Appellate Court*, 263 Phil. 846, 851-852 (1990); *Republic v. Court of Appeals*, 172 Phil. 741, 769 (1978).

⁵⁰ 172 Phil. 741 (1978).

in the perfection of an appeal, and in *Ramos v. Bagasao*,⁵¹ excused a four (4)-day delay in filing the notice of appeal on the basis of equity. Moreover, in *United Airlines v. Uy*,⁵² the Court gave due course to a notice of appeal filed two (2) days late, despite the failure of the appellant to offer a valid excuse for the delay. The Court focused on the “unique and peculiar facts of the case and the serious question of law it poses.”⁵³ Closer to the instant case, in *Trans International v. Court of Appeals*,⁵⁴ and *Samala v. Court of Appeals*,⁵⁵ the Court excused an appeal filed one (1) day late.

Verily, in the cited cases, the Court liberally allowed the filing of the appeal in the exercise of its equity jurisdiction in order to serve the demands of substantial justice.⁵⁶ However, a caveat must be laid – the party who seeks liberality must present strong compelling reasons to warrant the suspension of the rules, such as serving the ends of justice and/or preventing a grave miscarriage thereof.⁵⁷

The paramount interest of justice and the merits of the case warrant a relaxation of the procedural rules.

The Court is convinced that SBMA adequately met the test for substantial justice and equity to overcome the one (1)-day delay in the perfection of its appeal. More importantly, the factual and legal milieu obtaining in this case call for a relaxation of the rules.

The facts reveal that the Order dated August 26, 2015, was served on Atty. Reyes, who albeit belonged to the SBMA Legal Department, was not the lawyer assigned to the case. Immediately, she endorsed the Order to the Legal Department’s Litigation and Collection Division. Unfortunately however, the clerk who received the envelope failed to immediately transmit the Order to the handling lawyer. Rather, the envelope was stamped received on September 3, 2015, and received by the assigned lawyer on said date. In view of these events, the handling lawyer in good faith mistakenly believed that the said Order was in fact received on September 3, from which he counted the fifteen (15)-day reglementary period.

⁵¹ 185 Phil. 276 (1980).

⁵² 376 Phil. 688 (1999).

⁵³ Id. at 697.

⁵⁴ Supra note 36.

⁵⁵ Supra note 43.

⁵⁶ *Trans International v. Court of Appeals*, supra note 36 at 379, citing *Toledo v. Intermediate Appellate Court*, 236 Phil. 619, 624 (1987).

⁵⁷ Id. at 374, citing *Vda. de Ronquillo v. Marasigan*, 115 Phil. 292, 300-301 (1962); *Workmen’s Insurance Co., Inc. v. Augusto*, 148-B Phil. 105, 108-109 (1971).

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Plainly, the clerk and handling lawyer's negligence prevented SBMA from perfecting its appeal. Notably, law offices and legal departments have been admonished to adopt a system of distributing and receiving pleadings and notices, so that the lawyers will be promptly informed of the status of their cases. Thus, the negligence of clerks which adversely affects the cases handled by lawyers is binding upon the latter.⁵⁸

Nonetheless, in view of the substantial governmental interest involved in this case, the negligence of the clerk and the handling lawyer should not prejudice the rights of SBMA. In *Remulla v. Manlongat*,⁵⁹ the Court declared that the State must not be prejudiced or estopped by the negligence of its agents.⁶⁰ The Rules on the perfection of appeals, specifically on the period for filing notices of appeal, must occasionally yield to the loftier ends of substantial justice and equity. Thus, the one-day delay in the filing of the notice of appeal caused by the public prosecutor's dawdling, was given due course.⁶¹

Likewise, in *Sarraga v. Banco Filipino and Savings Bank*,⁶² the Court excused the mishap of a newly hired clerk who left the court order in her desk and eventually misplaced it. Despite the clerk and counsel's negligence, the Court gave due course to the notice of appeal and explained that the rule binding the client to his/her counsel's negligence may be overlooked where (i) the recklessness or gross negligence of the counsel deprives the client of due process of law; (ii) its application will result in the outright deprivation of the client's liberty or property; or (iii) the interests of justice so require.⁶³ In such instances, courts must step in and accord relief to a client who suffered thereby.⁶⁴

In the case at bar, the second and third exceptions absolve SBMA from the clerk and handling lawyer's negligence. An outright denial of SBMA's appeal will result to a deprivation of its right to collect fees from its locators. In addition, the substantial issues raised and the merits of the case call for leniency in the application of the rules. The policy on the CUSA fee involves questions regarding the very powers of the government, through SBMA. Certainly, the immediate denial of the appeal has far-reaching consequences that may severely impair SBMA's operations.

⁵⁸ *Sarraga, Sr. v. Banco Filipino Savings and Mortgage Bank*, 442 Phil. 55, 61 (2002), citing *Negros Stevedoring Co., Inc. v. Court of Appeals*, 245 Phil. 328, 333 (1988).

⁵⁹ *Supra* note 37.

⁶⁰ *Id.* at 833.

⁶¹ *Id.*

⁶² *Supra*.

⁶³ *Id.* at 63-64, citing *Apex Mining, Inc. v. Court of Appeals*, 377 Phil. 482, 493-494 (1999), *Gacutana-Fraile v. Domingo*, 401 Phil. 604, 615-616 (2000); *Salazar v. Court of Appeals*, 426 Phil. 864, 874 (2002), citing *Legarda v. Court of Appeals*, 272-A Phil. 394, 405 (1991) and *Aguilar v. Court of Appeals*, 320 Phil. 456, 462 (1995); *Del Mar v. Court of Appeals*, 429 Phil. 19, 28-29 (2002).

⁶⁴ *Sarraga, Sr. v. Banco Filipino Savings and Mortgage Bank*, *supra* note 58.

Moreover, SBMA and the national government stand to lose a substantial amount of funds if a full-blown resolution on the validity of the CUSA fee is thwarted simply due to technicalities. Pursuant to Section 12(c) of R.A. No. 7227, as amended by R.A. No. 9400,⁶⁵ a portion of SBMA's gross income is regularly remitted to the national government, while other parts are distributed to the adjacent local government units specified therein. Hence, the national government, SBMA, and some local government units are in danger of losing a substantial amount of funds every year if SBMA will be prevented from implementing the CUSA fee. SBMA will be forced to use its own revenues to pay for the municipal services.

To stress, the CUSA fee was implemented as a means to defray the expenses from the municipal services delivered by SBMA to its locators and residents. In fact, records show that the annual expenses incurred by SBMA in providing municipal services to its locators and residents cost a hefty sum of ₱388,000,000.00 annually. Regrettably, its collections fall short of the amount needed to defray the municipal services. Particularly, in the year 2015, SBMA collected CUSA fees worth ₱101,368,127.10 from its locators and residents. Said amount was devoted for the expenses in the four (4) basic municipal services (security services, fire protection and prevention, street cleaning and street lighting), and other services consisting of emergency response, road maintenance, facilities management, and garbage collection. SBMEI, being one of SBFZ's locators with the largest leased area, greatly benefitted from the aforementioned services.⁶⁶

In addition, SBMA stands to lose ₱290,459.31 per month or more than ₱3,000,000.00 annually if it will be enjoined from collecting the CUSA fee

⁶⁵ SECTION 12. *Subic Special Economic Zone*. — Subject to the concurrence by resolution of the sangguniang panlungsod of the City of Olongapo and the sangguniang bayan of the Municipalities of Subic, Morong and Hermosa, there is hereby created a Special Economic and Free-port Zone consisting of the City of Olongapo and the Municipality of Subic, Province of Zambales, the lands occupied by the Subic Naval Base and its contiguous extensions as embraced, covered, and defined by the 1947 Military Bases Agreement between the Philippines and the United States of America as amended, and within the territorial jurisdiction of the Municipalities of Morong and Hermosa, Province of Bataan, hereinafter referred to as the Subic Special Economic Zone whose metes and bounds shall be delineated in a proclamation to be issued by the President of the Philippines. Within thirty (30) days after the approval of this Act, each local government unit shall submit its resolution of concurrence to join the Subic Special Economic Zone to the office of the President. Thereafter, the President of the Philippines shall issue a proclamation defining the metes and bounds of the Zone as provided herein.

The abovementioned zone shall be subject to the following policies:

x x x x

“(c) The provision of existing laws, rules and regulations to the contrary notwithstanding, no national and local taxes shall be imposed within the Subic Special Economic Zone. In lieu of said taxes, a five percent (5%) tax on gross income earned shall be paid by all business enterprises within the Subic Special Economic Zone and shall be remitted as follows: three percent (3%) to the National Government, and two (2%) percent to the Subic Bay Metropolitan Authority (SBMA) for distribution to the local government units affected by the declaration of and contiguous to the zone, namely: the City of Olongapo and the municipalities of Subic, San Antonio, San Marcelino and Castillejos of the Province of Zambales; and the municipalities of Morong, Hermosa and Dinalupihan of the Province of Bataan, on the basis of population (50%), land area (25%), and equal sharing (25%).

⁶⁶ *Rollo*, p. 21.

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from SBMEI.⁶⁷ To illustrate the precarious situation, as of December 31, 2015, SBMEI's outstanding CUSA fee balance was ₱3,485,511.72.⁶⁸ Such uncollected amount will have far-reaching implications on SBMA's operations relative to its provision of municipal services within the SBFZ. Certainly, the outright invalidation of the CUSA fee due to a mere technicality, will result to the hemorrhaging of SBMA's funds.

Furthermore, the Court takes judicial notice of its Resolution dated June 10, 2021, in *Philip Morris v. Subic Bay Metropolitan Authority*,⁶⁹ upholding the validity of the CUSA fee. In the said case, the Court denied the attempt of Philip Morris, a locator at the SBFZ, to invalidate said fee. The Court stressed that (i) R.A. No. 7227 and its IRR and Administrative Order No. 31 authorize SBMA to collect reasonable fees such as the CUSA fee; (ii) the imposition of the CUSA fee did not violate the non-impairment clause; (iii) the CUSA fee is not a tax; and (iv) the penalty imposed for non-payment of the CUSA fee is valid.⁷⁰ Undoubtedly, to curtly dismiss this case on sheer technicality will lead to an absurd situation where the CUSA fee, which has recently been upheld by the Court, will not be imposed on SBMEI, solely on account of a belatedly filed appeal. Worse, SBMEI will continue reaping the benefits from the municipal services rendered by SBMA, without remitting its corresponding share therefor.

In fine, the Court has the power to relax the rules or to exempt a case from their rigid operation when warranted by compelling reasons and the requirements of justice.⁷¹ In this case, a stern denial of the appeal on account of a one-day delay, is certainly incommensurate to the injustice that SBMA may suffer. Accordingly, substantial justice will best be served by allowing the parties to thresh out their case on the merits.

WHEREFORE, premises considered, the petition is **GRANTED**. The Orders dated October 7, 2015 and December 22, 2015 of the Regional Trial Court, Branch 74, Olongapo City, and the assailed Decision dated August 14, 2017 and the Resolution dated February 13, 2018 of the Court of Appeals in CA-G.R. SP No. 144234, are hereby **REVERSED and SET ASIDE**. The Regional Trial Court, Branch 74, Olongapo City, is **DIRECTED** to give due course to Subic Bay Metropolitan Authority's Notice of Appeal, and to **ELEVATE** the case records to the Court of Appeals for review of the appeal.

⁶⁷ Id. at 22.


⁶⁸ Id.

⁶⁹ G.R. No. 232797, June 14, 2021.


⁷⁰ Id.


⁷¹ *Remulla v. Manlongat*, supra note 37 at 838-839, citing *Republic v. Imperial, Jr.*, 362 Phil. 466, 477 (1999).


SO ORDERED.

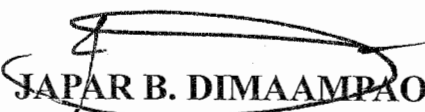

SAMUEL H. GAERLAN
Associate Justice

WE CONCUR:


ESTELA M. PERLAS-BERNABE
Senior Associate Justice



RAMON PAUL L. HERNANDO
Associate Justice


HENRI JEAN PAUL B. INTING
Associate Justice


JAPAR B. DIMAAMPAO
Associate Justice

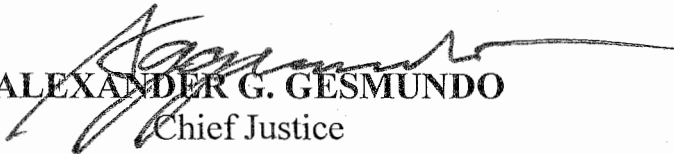
ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


ESTELA M. PERLAS-BERNABE
Senior Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


ALEXANDER G. GESMUNDO
Chief Justice

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