SUPREME COURT
FIRST DIVISION

CALABASH GARMENTS, INC.,
***Petitioner*,**

-versus-

G.R. No. 110827
August 8, 1996

NATIONAL LABOR RELATIONS COMMISSION, CALABASH WORKERS UNION-ASSOCIATED LABOR UNION-TUCP AND G.G. SPORTSWEAR MANUFACTURING CORPORATION,
***Respondents*.**
x----------x

D E C I S I O N

KAPUNAN, *J.*:

This is a Petition for *Certiorari* under Rule 65 of the Revised Rules of Court to set aside two orders of the respondents National Labor Relations Commission (NLRC) dated 31 May 1993 and 29 June 1993, respectively.

The facts of the case are as follows:

On 19 June 1991, respondent Calabash Workers Union-Associated Labor Union-TUCP (Union) filed a complaint against petitioner for

illegal lockout before the NLRC docketed as NLRC NCR Case No. 00-06-03552-91.[1] On 2 September 1991, the complaint was amended to include G. G. Sportswear Manufacturing Corporation (G.G. Sportswear) as co-respondent, alleging that petitioner was its subcontractor and therefore under Article 106 of the Labor Code, G. G. Sportswear was likewise liable.[2]

After requiring the parties to submit their respective position papers, Labor Arbiter Pablo C. Espiritu, Jr. issued an order on 12 December 1991 setting the said controversy for clarificatory questions in conformity with Rule V, Sections 4 and 5(a) of the New Rules of Procedure of the NLRC.[3]

On the date of the clarificatory hearing, petitioner manifested on record its intention to waive the presence of Mr. Roberto Palomar, the president of petitioner corporation and have the case, insofar as Calabash Garments, Inc. is concerned, submitted for decision.[4] No objections were raised, hence, the parties were required to submit their memoranda and the case was considered submitted for resolution.[5]

On 23 March 1992, petitioner filed a Motion for Trial on the Merits and for Inhibition with the Labor Arbiter praying that a trial on the merits be conducted in view of the alleged conflicting allegations of facts by the parties and their witnesses and that Labor Arbiter Pablo C. Espiritu, Jr. inhibit himself from trying the case on grounds of prejudgment.[6] The motion was denied in an order dated 1 April 1992 for lack of merit, on the following reasons.

To refresh the memory of respondent Calabash Garments, Inc., it was precisely the reason for not deciding the case based solely on the pleadings, that this Arbitration Branch decided to conduct clarificatory questions on both complainants' and respondents' witnesses (Calabash Garments Inc. and G.G. Sportswear Inc.) in an Order dated 12 December 1991 duly received and acknowledged by both parties in this case. It is to be stressed that neither party appealed the order of this Arbitration Branch.

Consequently, after conducting clarificatory questions, this case was considered submitted for resolution giving the parties ample

opportunity (30 days) within which to file their respective memorandum (see minutes of proceedings dated 26 February 1992 and transcript of stenographic notes pp. 96-97, 11 February 1992).

It should likewise be stressed that this Arbitration Branch decided to conduct clarificatory questions based on Section 4, Rule V of the New Rules of Procedure of the National Labor Relations Commission which clearly provide(s) the rules in the determination of necessity of hearing:

> "SECTION 4. Determination of Necessity of Hearing. — Immediately after the submission of the parties of their position papers/memorandum, the Labor Arbiter shall motu proprio determine whether there is need for a formal trial or hearing. At this stage, he may, at his discretion and for the purpose of making such determination, ask clarificatory questions to further elicit facts or information, including but not limited to the subpoena of relevant documentary evidence, if any, from any party or witness."

Hence, after eliciting enough facts and relevant evidence from the parties, this Arbitration Branch in conformity with Section 5(a) Rule V of the New Rules of Procedure of the National Labor Relations Commission and in the sound exercise of discretion informed the parties that the case is now considered submitted for resolution (TSN, pp. 96-97, 11 February 92 and Minutes of proceedings 26 February 92).

Instead of filing a memorandum, respondent Calabash Garments, Inc. now seek(s) to have the case for trial and worse moving that this Arbiter inhibit himself on flimsy and unsubstantiated grounds.

As a Labor Arbiter, the undersigned is tasked to draw up decisions and resolutions with due care, and make certain that they truly and accurately reflect their conclusions and equally as importantly, their final disposition, if in his quest for the truth the wheels of justice will be hampered by a nonexistent ground for inhibition and a motion for formal trial, at this late stage of the proceedings, then in all probability Respondent Calabash Garments, Inc., is engaging in deliberate dilatory proceedings and forum shopping to which this

Arbitration Branch will not accede.[7] (Corrections in parenthesis ours)

On 14 April, 1992, petitioner interposed an appeal from the above order to the NLRC.[8]

Meanwhile, on 1 September 1992, Labor Arbiter Pablo C. Espiritu, Jr. rendered his Decision[9] holding petitioner and G.G. Sportswear solidarily liable to respondent Union, as follows:

> WHEREFORE, in conformity with the above premises, judgment is hereby rendered:
>
> a.) Declaring CGI guilty of unfair labor practice;
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> b.) Declaring CGI guilty of illegal lock out;
>
> c.) Declaring CGI to be a labor only contractor of GGSMC;
>
> d.) Ordering Respondents CGI and GGSMC to pay jointly and solidarily complaints:
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> 1. Fourteen and one half (14.5) month backwages for each union member from the time of their illegal dismissal by virtue of Respondents illegal lock out and for non observance of the required one (1) month prior notice under Art. 283 of the Labor Code from June 17, 1991 till promulgation of this decision, August 31, 1992, considering that reinstatement is no longer decreed by virtue of the total closure of the company in the total amount of P6,672,900.00.
>
> 2. Three (3) months salary for each union member representing one (1) month salary for every year of service (from December, 1989-August 31, 1992) as separation pay in lieu of reinstatement based on the minimum wage in the total amount of P1,380,600.00.

3. P500,000.00 moral damages and P500,000.00 exemplary damages.

4. Attorneys fees in the amount of P905,350.00, representing 10% of the total judgment award of P9,053,500.00, under Art. 111 of the Labor Code.

All other claims of the complainants whether monetary or otherwise are herein disallowed for lack of merit.

SO ORDERED.[10]

From the above decision, on 1 October 1992, petitioner filed an Appeal with Motion for Reduction of Appeal Bond with the NLRC.[11]

On 31 May 1993, the NLRC issued an order, the dispositive portion of which reads:

WHEREFORE, the twin motions for reduction of bond are hereby denied. The respondents are hereby directed to JOINTLY post a surety bond in the amount of P8,053,500.00 within ten (10) days from their receipt of this order, with the warning that should they fail to so post said bond, their appeal will be dismissed for their failure to perfect the same in accordance with the provisions of Article 223 of the Labor Code, as amended.

SO ORDERED.[12]

The motions for reconsideration filed by petitioner and G.G. Sportswear dated 8 June 1993 and 10 June 1993, respectively,[13] were denied by the NLRC in its order dated 29 June 1993.[14]

Hence, this petition wherein it is argued that:

THE NLRC GRAVELY ABUSED ITS DISCRETION IN THE EXERCISE OF ITS QUASI-JUDICIAL AUTHORITY IN DENYING PETITIONER'S MOTION FOR REDUCTION OF APPEAL BOND, ALTHOUGH THE SAME IS SANCTIONED BY

> SECTION 6, RULE VI OF THE NLRC RULES OF PROCEDURE, THEREBY LEAVING PETITIONER WITH NO REMEDY FROM THE DECISION OF LABOR ARBITER PABLO ESPIRITU, WHICH IS PATENTLY ON THE FACTS AND THE LAW ERRONEOUS.[15]

We find no merit in the petition.

In cases involving a monetary award, an employer seeking to appeal the decision of the Labor Arbiter to the NLRC is unconditionally required by Art. 223 of the Labor Code[16] to post a cash or surety bond equivalent to the amount of the monetary award adjudged.

The significance of this requisite comes to light upon appreciation of the rationale behind it, which, in Viron Garments Manufacturing Co., Inc., et al vs. NLRC, et al.,[17] we explained in this wise.

The requirement that the employer post a cash or surety bond to perfect its/his appeal is apparently intended to assure the workers that if they prevail in the case, they will receive the money judgment in their favor upon the dismissal of the employer's appeal. It was intended to discourage employers from using an appeal to delay, or even evade, their obligation to satisfy their employees' just and lawful claims.

Implementing the aforementioned provision, the NLRC, in Section 6, Rule VI of its New Rules of Procedure incorporated, in addition, the following:

> SECTION 6. BOND — In case the decision of Labor Arbiter, POEA Administrator and Regional Director or his duly authorized hearing officer involves a monetary award, an appeal by the employer shall be perfected only upon the posting of a cash or surety bond issued by a reputable bonding company duly accredited by the Commission or the Supreme Court in an amount equivalent to the monetary award, exclusive of moral and exemplary damages and attorney's fees.

> The employer as well as counsel shall submit a joint declaration under oath attesting that the surety bond posted is genuine and that it shall be in effect until final disposition of the case.
>
> The Commission may, in meritorious cases and upon Motion of the Appellant, reduce the amount of the bond. (As amended on November 5, 1993). (Emphasis ours.)

Petitioner anchors its arguments on the Commission's power to reduce the amount of the bond in meritorious cases and stubbornly contends that the NLRC gravely abused its discretion when it denied the motion for reduction of appeal bond filed by petitioner although such a reduction is sanctioned under the aforecited NLRC rule.

Petitioner remains adamant in its argument that the P8,053,500.00 awarded by the Labor Arbiter is "way, way out of line" and would be a "very onerous financial burden" on its part.[18] Petitioner complains that:

> The amount of the appeal bond, P8,053,500.00, is substantial and enormous. It is a huge amount from any angle. For the premium alone, petitioner has to shell out no less than P800,000.00 at the prevailing rate of 10%. Petitioner has also to put up a collateral, either in real estate mortgage or cash or time deposit with the bonding company. The premium once paid could no longer be recovered.[19]

We find petitioner's contentions unconvincing. A substantial monetary award, even if it runs into millions, does not necessarily give the employer-appellant a "meritorious case" and does not automatically warrant a reduction of the appeal bond. Moreover, petitioner's fear of paying an allegedly staggering amount as appeal bond is unfounded, we fully concur with the findings of the NLRC, thus:

x x x

> The least that We expected from respondents relative to their asking for a reduction of bond is for them to be candid because

> without such candor, We can never find their posturing here credible.
>
> Respondent G.G. Sportswear, for example, is aware (as Calabash has been so aware) that the bond it is required to post amounts only to P8,053,500.00 [moral and exemplary damages, as well as attorney's fees, being excluded by our rules in the computation of the bond an appellant has to post (Sec. 6, Rule VI, New Rules of the NLRC)]. Yet, in an attempt to overwhelm us, G.G. Sportswear made it appear as aforequoted that it is being required to put up a bond in the amount of "P9,958,850.00."

Anyway, by virtue of the authority given us by Article 218(c) of the Labor Code, We checked with Phoenix Insurance, one of the surety companies accredited by this Commission (with address at Phoenix Bldg., Recoletos St., Intramuros, Manila) and talking to Mr. Bobby Salaver of its Claims Department, We got the information that for the subject monetary award of P8,053,500.00 and pursuant to the rates set by the Insurance Commission, all that the appellant will have "to shell out" is P30,248.98, broken down as follows:

P26,746.08	—	Cost of premium
2,015.60	—	Documentary tax
1,337.30	—	Premium tax
75.00	—	Service Fee
75.00	—	Notarial Fee
P30,248.98	—	Total

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x x x"[20]

Undaunted, petitioner insists that:

> Although he appeal bond could be paid through a surety company, the surety company however require(s) the posting of a cash deposit of (P8,053,500.00) or an unencumbered real property with such value, by way of collateral. If this collateral could not be posted, the surety company would charge at least 10% premium, in this case the sum of P800,000.00 per year.[21] (Corrections in parenthesis ours.)

Petitioner's insistence comes to naught. This same argument was sufficiently addressed by the NLRC in its assailed order:

x x x

> Of course, Mr. Salaver explains, the appellant will have to put up a collateral equivalent to the amount being assured, but this does not mean that such collateral is part of an expense. He informed us that even on a Time Deposit that may serve as a collateral, the interest earnings said deposit will generate will not go to the insurance company but rather to the appellant securing the surety bond.

x x x[22]

Petitioner's burden is further eased by the NLRC's order that the appeal bond be jointly posted by petitioner and respondent G.G. Sportswear.[23]

While, admittedly, Section 6, Rule VI of the NLRC's New Rules of Procedure allows the Commission to reduce the amount of the bond, the exercise of the authority is discretionary and only in meritorious cases. Petitioner has not amply demonstrated that its case is meritorious or that the Commission's ruling is tainted with arbitrariness.

WHEREFORE, finding no grave abuse of discretion committed by the NLRC, we **DISMISS** the petition.

SO ORDERED.

Padilla, Bellosillo, Vitug and Hermosisima, Jr., *JJ.*, concur.

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[1] Original Records, p. 2.
[2] Id., at 22.
[3] Id., at 212-213.
[4] Rollo, p. 32.
[5] Ibid.

[6] Original Records, pp. 289-292.
[7] Original Records, pp. 320-324.
[8] Id., at 331-352.
[9] Id., at 382-397; Rollo pp. 31-47.
[10] Id., at 396-397; Rollo, pp. 46-47.
[11] Id., at 400-435.
[12] Id., at 716.
[13] Id., at 721-733.
[14] Id., at 734.
[15] Rollo, p. 13.
[16] ART. 223. Appeal — Decisions, awards, or orders of the Labor Arbiter are final and executory unless appealed to the Commission by any or both parties within ten (10) calendar days from receipt of such decisions, awards, or orders. Such appeal may be entertained only on any of the following grounds:

(a) If there is prima facie evidence of abuse of discretion on the part of the Labor Arbiter;

(b) If the decision, order or award was secured through fraud or coercion, including graft and corruption;

(c) If made purely on questions of law; and

(d) If serious errors in the findings of facts are raised which would cause grave or irreparable damage or injury to the appellant.

In case of a judgment involving a monetary award, an appeal by the employer may be perfected only upon the posting of a cash or surety bond issued by a reputable bonding company duly accredited by the Commission in the amount equivalent to the monetary award in the judgment appealed from.

In any event, the decision of the Labor Arbiter reinstating a dismissed or separated employee, insofar as the reinstatement aspect is concerned, shall immediately be executory, even pending appeal. The employee shall either be admitted back to work under the same terms and conditions prevailing prior to his dismissal or separation or, at the option of the employer, merely reinstated in the payroll. The posting of a bond by the employer shall not stay the execution for reinstatement provided herein.

To discourage frivolous or dilatory appeals, the Commission or the Labor Arbiter shall impose reasonable penalty, including fines or censures, upon the erring parties.

In all cases, the appellant shall furnish a copy of the memorandum of appeal to the other party who shall file an answer not later than ten (10) calendar days from receipt thereof.

The Commission shall decide all cases within twenty (20) calendar days from receipt of the answer of the appellee. The decision of the Commission shall be final and executory after ten (10) calendar days from receipt thereof by the parties.

Any law enforcement agency may be deputized by the Secretary of Labor and Employment or the Commission in the enforcement of decisions, awards, or orders. (Emphasis ours.)

[17] 207 SCRA 339 (1992).
[18] Rollo, pp. 235-237.
[19] Id., at 235.
[20] Id., at 86-87.
[21] Id., at 237.
[22] Id., at 87-88.
[23] Supra, see note 12.