

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT  
THIRD DIVISION**

**HAGONOY WATER DISTRICT**  
**represented by its General Manager**  
**CELESTINO S. VENGCO,**  
*Petitioner,*

*-versus-*

**G.R. No. 81490**  
**August 31, 1988**

**THE HON. NATIONAL LABOR**  
**RELATIONS COMMISSION,**  
**EXECUTIVE LABOR ARBITER**  
**VLADIMIR P.L. SAMPANG, DEPUTY**  
**SHERIFF JOSE A. CRUZ and DANTE**  
**VILLANUEVA,**  
*Respondents.*

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**DECISION**

**FELICIANO, J.:**

The present Petition for Certiorari seeks to annul and set aside: a) the decision of the Labor Arbiter dated 17 March 1987 in NLRC Case No. RAB-III-8-2354-85, entitled "Dante Villanueva versus LWA-Hagonoy Waterworks District Miguel Santos;" and b) the Resolution of the National Labor Relations Commission dated 20 August 1987 affirming the mentioned decision.

Private respondent Dante Villanueva was employed as service foreman by petitioner Hagonoy Water District (“Hagonoy”) from 3 January 1977 until 16 May 1985, when he was indefinitely suspended and thereafter dismissed on 12 July 1985 for abandonment of work and conflict of interest.

On 14 August 1985, private respondent filed a complaint for illegal dismissal, illegal suspension and underpayment of wages and emergency cost of living allowance against petitioner Hagonoy with the then Ministry of Labor and Employment, Regional Arbitration Branch III, San Fernando, Pampanga.

Petitioner immediately moved for outright dismissal of the complaint on the ground of lack of jurisdiction. Being a government entity, petitioner claimed, its personnel are governed by the provisions of the Civil Service Law, not by the Labor Code, and protests concerning the lawfulness of dismissals from the service fall within the jurisdiction of the Civil Service Commission, not the Ministry of Labor and Employment. Petitioner cited Resolution No. 1540 of the Social Security Commission cancelling petitioner’s compulsory coverage from the system effective 16 May 1979 “considering the rulings that local water districts are instrumentalities owned and controlled by the government and that their officers and employees are government employees.” In opposing the motion, private respondent Villanueva contended that local water districts, like petitioner Hagonoy, though quasi-public corporations, are in the nature of private corporations since they perform proprietary functions for the government.

The Labor Arbiter proceeded to hear and try the case and, on 17 March 1986, rendered a Decision in favor of the private respondent and against petitioner Hagonoy. The dispositive part of the decision read:

“WHEREFORE, premises considered, respondents are hereby ordered to reinstate petitioner immediately to his former position as Service Foreman, without loss of seniority rights and privileges, with full backwages, including all benefits provided by law, from the date he was terminated up to his actual date of reinstatement.

In addition, respondents are hereby ordered to pay the petitioner the amount of P4,927.50 representing the underpayments of wages from July 1983 to May 16, 1985.”

SO ORDERED.”

On appeal, the National Labor Relations Commission affirmed the decision of the Labor Arbiter in a Resolution dated 20 August 1987.

The petitioner moved for reconsideration, insisting that public respondents had no jurisdiction over the case. Meanwhile, a Writ of Execution was issued by the Labor Arbiter on 16 November 1987. The writ was enforced by garnishing petitioner Hagonoy’s deposits with the Planters Development Bank of Hagonoy.

Petitioner then filed a Motion to Quash the Writ of Execution with Application for Writ of Preliminary Injunction arguing that the writ was prematurely issued as its motion for reconsideration had not yet been resolved. By Resolution dated 10 December 1987, public respondent Commission denied the application for a preliminary injunction. The motion to quash was similarly denied by the Commission which directed petitioner to reinstate immediately private respondent and to pay him the amount of P63,577.75 out of petitioner’s garnished deposits.

Hence, the instant petition.

The only question here in whether or not local water districts are government owned or controlled corporations whose employees are subject to the provisions of the Civil Service Law. The Labor Arbiter asserted jurisdiction over the alleged illegal dismissal of private respondent Villanueva by relying on Section 26 of Presidential Decree No. 198, known as the “Provincial Water Utilities Act of 1973” which went into effect on 25 May 1973, and which provides as follows:

“Exemption from Civil Service. — The district and its employees, being engaged in a proprietary function, are hereby exempt from the provisions of the Civil Service Law. Collective Bargaining shall be available only to personnel below

supervisory levels: Provided, however, That the total of all salaries, wages, emoluments, benefits or other compensation paid to all employees in any month shall not exceed fifty percent (50%) of average net monthly revenue, said net revenue representing income from water sales and sewerage service charges, less pro-rata share of debt service and expenses for fuel or energy for pumping during the preceding fiscal year.”

The Labor Arbiter however failed to take into account the provisions of Presidential Decree No. 1479, which went into effect on 11 June 1978. P.D. No. 1479 wiped away Section 25 of P.D. 198 quoted above, and Section 26 of P.D. 198 was renumbered as Section 25 in the following manner:

“Section 26 of the same decree [P.D.198] is hereby amended to read as Section 25 as follows:

‘Section 25. Authorization. — The district may exercise all the powers which are expressly granted by this Title or which are necessarily implied from or incidental to the powers and purposes herein stated. For the purpose of carrying out the objectives of this Act, a district is hereby granted the power of eminent domain, the exercise thereof shall, however, be subject to review by the Administration.’

Thus, Section 25 of P.D. 198 exempting the employees of water districts from the application of the Civil Service Law was removed from the statute books.

This is not the first time that officials of the Department of Labor and Employment have taken the position that the Labor Arbiter here adopted. In *Baguio Water District vs. Cresenciano B. Trajano, etc. et al.*,<sup>[1]</sup> the petitioner Water District sought review of a decision of the Bureau of Labor Relations which affirmed that of a Med-Arbiter calling for a certification election among the regular rank-and-file employees of the Baguio Water District (BWD). In granting the petition, the Court said:

“The Baguio Water District was formed pursuant to Title II-Local Water District Law-of P.D. No. 198, as amended, The BWD is by Sec. 6 of that decree ‘a quasi-public corporation performing public service and supplying public wants.’

A part of the public respondent’s decision rendered in September, 1983, reads in part:

‘We find the appeal [of the BWD] to be devoid of merit. The records show that the operation and administration of BWD is governed and regulated by special laws, that is, Presidential Decrees Nos. 198 and 1479 which created local water districts throughout the country. Section 25 of Presidential Decree (PD) 198 clearly provides that the district and its employee shall be exempt from the provisions of the Civil Service Law and that its personnel below supervisory level shall have the right to collectively bargain. Contrary to appellant’s claim, said provision has not been amended much more abrogated expressly or impliedly by PD 1479 which does not make mention of any matter on Civil Service Law or collective bargaining.’ (Rollo, p. 590.)

We grant the petition for the following reasons:

1. Section 25 of P.D. No. 198 was repealed by Sec. 3 of P.D. No. 1479; Sec. 26 of P.D. No. 198 was amended to read as Sec. 25 by Sec. 4 of P.D. No. 1479. The amendatory decree took effect on June 11, 1978.

x x x

3. The BWC is a corporation created pursuant to a special law — P.D. No. 198, as amended. As such its officers and employees are part of the Civil Service. (Sec. 1, Art. XII-B, [1973] Constitution; P.D. No. 686.)

The broader question of whether employees of government owned or controlled corporations are governed by the Civil Service Law and Civil Service Rules and Regulations was addressed by this Court in 1985 in National Housing Corporation vs. Juco.<sup>[2]</sup> After a review of

constitutional, statutory and case law on the matter, the Court, through Mr. Justice Gutierrez, held:

“There should no longer be any question at this time that employees of government-owned or controlled corporations are governed by the civil service law and civil service rules and regulations.

Section 1. Article XII-B of the [1973] Constitution specifically provides:

‘The Civil Service embraces every branch, agency, subdivision, and instrumentality of the Government, including every government-owned or controlled corporation.’”

The 1935 Constitution had a similar provision in its Section 1, Article XII which stated:

‘A Civil Service embracing all branches and subdivisions of the Government shall be provided by law.

The inclusion of ‘government-owned or controlled corporations’ within the embrace of the civil service shows a deliberate effort of the framers to plug an earlier loophole which allowed government-owned or controlled corporations to avoid the full consequences of the all encompassing coverage of the civil service system. The same explicit intent is shown by the addition of ‘agency’ and ‘instrumentality’ to branches and subdivisions of the Government. All offices and firms of the government are covered.

The amendments introduced in 1973 are not idle exercises or meaningless gestures. They carry the strong message that civil service coverage is broad and all-embracing insofar as employment in the government in any of its governmental or corporate arms is concerned.”

Section 1 of Article XII-B, [1973] Constitution uses the word ‘every’ to modify the phrase ‘government-owned or controlled corporation.’

‘Every’ means each one of a group, without exception. It means all possible and all, taken one by one. Of course, our decision in this case refers to a corporation created as a government-owned or controlled entity. It does not cover cases involving private firms taken over by the government in foreclosure or similar proceedings. We reserve judgment on these latter cases when the appropriate controversy is brought to this Court.”<sup>[3]</sup>

In *Juco*, the Court spelled out the law on the issue at bar as such law existed under the 1973 Constitution and the Provisional Constitution of 1984,<sup>[4]</sup> until just before the effectivity of the 1987 Constitution. Public respondent Commission, in confirming the Labor Arbiter’s assumption of jurisdiction over this case, apparently relied upon Article IX (B), Section 2 (1) of the 1987 Constitution, which provides that:

“[T]he Civil Service embraces government owned or controlled corporations with original charters.” (Emphasis supplied)

The NLRC took the position that although petitioner Hagonoy is a government owned or controlled corporation, it had no original charter having been created simply by resolution of a local legislative council. The NLRC concluded that therefore petitioner Hagonoy fell outside the scope of the civil service.

At the time the dispute in the case at bar arose, and at the time the Labor Arbiter rendered his decision (i.e., 17 March 1986), there is no question that the applicable law was that spelled out in *National Housing Corporation vs. Juco* (supra) and *Baguio Water District vs. Cresenciano B. Trajano* (supra) and that under such applicable law, the Labor Arbiter had no jurisdiction to render the decision that he in fact rendered. By the time the public respondent Commission rendered its decision of 20 August 1987 which is here assailed, the 1987 Constitution had already come into effect.<sup>[5]</sup> There is, nonetheless, no necessity for this Court at the present time and in the present case to pass upon the question of the effect of the provisions

of Article IX (B), Section 2 (1) of the 1987 Constitution upon the pre-existing statutory and case law. For whatever that effect might be, — and we will deal with that when an appropriate case comes before the Court — we believe and so hold that the 1987 Constitution did not operate retrospectively so as to confer jurisdiction upon the Labor Arbiter to render a decision which, under the law applicable at the time of the rendition of such decision, was clearly outside the scope of competence of the Labor Arbiter. Thus, the respondent Commission had nothing before it which it could pass upon in the exercise of its appellate jurisdiction. For it is self-evident that a decision rendered by the Labor Arbiter without jurisdiction over the case is a complete nullity, vesting no rights and imposing no liabilities.

**ACCORDINGLY**, the Petition for Certiorari is **GRANTED**. The decision of the Labor Arbiter dated 17 March 1986, and public respondent Commission's Resolution dated 20 August 1987 and all other Resolutions and Orders issued by the Commission in this case subsequent thereto, are hereby **SET ASIDE**. This decision is, however, without prejudice to the right of private respondent Villanueva to refile, if he so wishes, this complaint in an appropriate forum. No pronouncement as to costs.

**SO ORDERED.**

**Fernan, C.J., Gutierrez, Jr., Bidin and Cortes, JJ., concur.**

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[1] 127 SCRA 730 (1984).

[2] 134 SCRA 172 (1985). See also *Alliance of Government Workers, et al. vs. Honorable Minister of Labor and Employment, et al.*, 125 SCRA 1 (1983).

[3] 134 SCRA at 176-177, 182.

[4] Article I, Section 2.

[5] The 1987 Constitution was ratified in a plebiscite and went into effect on 2 February 1987; *De Leon et al. vs. Esquerro, et. al.*, 153 SCRA 602 (1987).