SUPREME COURT
EN BANC

LUZON DEVELOPMENT BANK,
***Petitioner*,**

-versus-

G.R. No. 120319
October 6, 1995

ASSOCIATION OF LUZON DEVELOPMENT BANK EMPLOYEES and ATTY. ESTER S. GARCIA in her capacity as VOLUNTARY ARBITRATOR,
***Respondents*.**
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D E C I S I O N

ROMERO, *J.*:

From a submission agreement of the Luzon Development Bank (LDB) and the Association of Luzon Development Bank Employees (ALDBE) arose an arbitration case to resolve the following issue:

> "Whether or not the company has violated the Collective Bargaining Agreement provision and the Memorandum of Agreement dated April 1994, on promotion."

At a conference, the parties agreed on the submission of their respective Position Papers on December 1-15, 1994. Atty. Ester S.

Garcia, in her capacity as Voluntary Arbitrator, received ALDBE's Position Paper on January 18, 1995. LDB, on the other hand, failed to submit its Position Paper despite a letter from the Voluntary Arbitrator reminding them to do so. As of May 23, 1995 no Position Paper had been filed by LDB.

On May 24, 1995, without LDB's Position Paper, the Voluntary Arbitrator rendered a decision disposing as follows:

> "WHEREFORE, finding is hereby made that the Bank has not adhered to the Collective Bargaining Agreement provision nor the Memorandum of Agreement on promotion."

Hence, this petition for certiorari and prohibition seeking to set aside the decision of the Voluntary Arbitrator and to prohibit her from enforcing the same.

In labor law context, arbitration is the reference of a labor dispute to an impartial third person for determination on the basis of evidence and arguments presented by such parties who have bound themselves to accept the decision of the arbitrator as final and binding.

Arbitration may be classified, on the basis of the obligation on which it is based, as either compulsory or voluntary.

Compulsory arbitration is a system whereby the parties to a dispute are compelled by the government to forego their right to strike and are compelled to accept the resolution of their dispute through arbitration by a third party.[1] The essence of arbitration remains since a resolution of a dispute is arrived at by resort to a disinterested third party whose decision is final and binding on the parties, but in compulsory arbitration, such a third party is normally appointed by the government.

Under voluntary arbitration, on the other hand, referral of a dispute by the parties is made, pursuant to a voluntary arbitration clause in their collective agreement, to an impartial third person for a final and binding resolution.[2] Ideally, arbitration awards are supposed to be complied with by both parties without delay, such that once an award has been rendered by an arbitrator, nothing is left to be done by both

parties but to comply with the same. After all, they are presumed to have freely chosen arbitration as the mode of settlement for that particular dispute. Pursuant thereto, they have chosen mutually acceptable arbitrator who shall hear and decide their case. Above all, they have mutually agreed to be bound by said arbitrator's decision.

In the Philippine context, the parties Collective Bargaining Agreement (CBA) are required to include therein provisions for a machinery for the resolution of grievances arising from the interpretation or implementation of the CBA or company personnel policies.[3] For this purpose, parties to a CBA shall name and designate therein a voluntary arbitrator or a panel of arbitrators, or include a procedure for their selection, preferably from those accredited by the National Conciliation and Mediation Board (NCMB). Article 261 of the Labor Code accordingly provides for exclusive original jurisdiction of such voluntary arbitrator or panel of arbitrators over (1) the interpretation or implementation of the CBA and (2) the interpretation or enforcement of company personnel policies. Article 262 authorizes them, but only upon agreement of the parties, to exercise jurisdiction over other labor disputes.

On the other hand, a labor arbiter under Article 217 of the Labor Code has jurisdiction over the following enumerated cases:

> "(a) Except as otherwise provided under this Code the Labor Arbiters shall have original and exclusive jurisdiction to hear and decide, within thirty (30) calendar days after the submission of the case by the parties for decision without extension, even in the absence of stenographic notes, the following cases involving all workers, whether agricultural or non-agricultural:
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> 1. Unfair labor practice cases;
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> 2. Termination disputes;
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> 3. If accompanied with a claim for reinstatement, those cases that workers may file involving wages, rates of pay, hours of work and other terms and conditions of employment;

4. Claims for actual, moral, exemplary and other forms of damages arising from the employer-employee relations;

5. Cases arising from any violation of Article 264 of this Code, including questions involving the legality of strikes and lockouts;

6. Except claims for Employees Compensation, Social Security, Medicare and maternity benefits, all other claims, arising from employer-employee relations, including those of persons in domestic or household service, involving an amount exceeding five thousand pesos (P5,000.00) regardless of whether accompanied with a claim for reinstatement.

x x x"

It will thus be noted that the jurisdiction conferred by law on a voluntary arbitrator or a panel of such arbitrators is quite limited compared to the original jurisdiction of the labor arbiter and the appellate jurisdiction of the National Labor Relations Commission (NLRC) for that matter.[4] The State of our present law relating to voluntary arbitration provides that "(t)he award or decision of the Voluntary Arbitrator shall be final and executory after ten (10) calendar days from receipt of the copy of the award or decision by the parties,"[5] while the "(d)ecision, 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."[6] Hence, while there is an express mode of appeal from the decision of a labor arbiter, Republic Act No. 6715 is silent with respect to an appeal from the decision of a voluntary arbitrator.

Yet, past practice shows that a decision or award of a voluntary arbitrator is, more often than not, elevated to the Supreme Court itself on a petition for certiorari,[7] in effect equating the voluntary arbitrator with the NLRC or the Court of Appeals. In the view of the Court, this is illogical and imposes an unnecessary burden upon it.

In Volkschel Labor Union, et al. v. NLRC, et al.,[8] on the settled premise that the judgments of courts and awards of quasi-judicial agencies must become final at some definite time, this Court ruled that the awards of voluntary arbitrators determine the rights of parties; hence, their decisions have the same legal effect as judgments of a court. In Oceanic Bic Division (FFW), et al. v. Romero, et al.,[9] this Court ruled that "a voluntary arbitrator by the nature of her functions acts in a quasi-judicial capacity." Under these rulings, it follows that the voluntary arbitrator, whether acting solely or in a panel, enjoys in law the status of a quasi-judicial agency but independent of, and apart from, the NLRC since his decisions are not appealable to the latter.[10]

Section 9 of B.P. Blg. 129, as amended by Republic Act No. 7902, provides that the Court of Appeals shall exercise:

"x x x

> (B) Exclusive appellate jurisdiction over all final judgments, decisions, resolutions, orders or awards of Regional Trial Courts and quasi-judicial agencies, instrumentalities, boards or commissions, including the Securities and Exchange Commission, the Employees Compensation Commission and the Civil Service Commission, except those falling within the appellate jurisdiction of the Supreme Court in accordance with the Constitution, the Labor Code of the Philippines under Presidential Decree No. 442, as amended, the provisions of this Act, and of subparagraph (1) of the third paragraph and subparagraph (4) of the fourth paragraph of Section 17 of the Judiciary Act of 1948.

x x x"

Assuming arguendo that the voluntary arbitrator or the panel of voluntary arbitrators may not strictly be considered as a quasi-judicial agency, board or commission, still both he and the panel are comprehended within the concept of a "quasi-judicial instrumentality." It may even be stated that it was to meet the very situation presented by the quasi-judicial functions of the voluntary

arbitrators here, as well as the subsequent arbitrator/arbitral tribunal operating under the Construction Industry Arbitration Commission, 11 that the broader term "instrumentalities" was purposely included in the above-quoted provision.

An "instrumentality" is anything used as a means or agency.[12] Thus, the terms governmental "agency" or "instrumentality" are synonymous in the sense that either of them is a means by which a government acts, or by which a certain government act or function is performed.[13] The word "instrumentality," with respect to a state, contemplates an authority to which the state delegates governmental power for the performance of a state function.[14] An individual person, like an administrator or executor, is a judicial instrumentality in the settling of an estate,[15] in the same manner that a sub-agent appointed by a bankruptcy court is an instrumentality of the court,[16] and a trustee in bankruptcy of a defunct corporation is an instrumentality of the state.[17]

The voluntary arbitrator no less performs a state function pursuant to a governmental power delegated to him under the provisions therefor in the Labor Code and he falls, therefore, within the contemplation of the term "instrumentality" in the aforequoted Sec. 9 of B.P. 129. The fact that his functions and powers are provided for in the Labor Code does not place him within the exceptions to said Sec. 9 since he is a quasi-judicial instrumentality as contemplated therein. It will be noted that, although the Employees Compensation Commission is also provided for in the Labor Code, Circular No. 1-91, which is the forerunner of the present Revised Administrative Circular No. 1-95, laid down the procedure for the appealability of its decisions to the Court of Appeals under the foregoing rationalization, and this was later adopted by Republic Act No. 7902 in amending Sec. 9 of B.P. 129.

A fortiori the decision or award of the voluntary arbitrator or panel of arbitrators should likewise be appealable to the Court of Appeals, in line with the procedure outlined in Revised Administrative Circular No. 1-95, just like those of the quasi-judicial agencies, boards and commissions enumerated therein.

This would be in furtherance of, and consistent with, the original purpose of Circular No. 1-91 to provide a uniform procedure for the appellate review of adjudications of all quasi-judicial entities[18] not expressly excepted from the coverage of Sec. 9 of B.P. 129 by either the Constitution or another statute. Nor will it run counter to the legislative intendment that decisions of the NLRC be reviewable directly by the Supreme Court since, precisely, the cases within the adjudicative competence of the voluntary arbitrator are excluded from the jurisdiction of the NLRC or the labor arbiter.

In the same vein, it is worth mentioning that under Section 22 of Republic Act No. 876, also known as the Arbitration Law, arbitration is deemed a special proceeding of which the court specified in the contract or submission, or if none be specified, the Regional Trial Court for the province or city in which one of the parties resides or is doing business, or in which the arbitration is held, shall have jurisdiction. A party to the controversy may, at any time within one (1) month after an award is made, apply to the court having jurisdiction for an order confirming the award and the court must grant such order unless the award is vacated, modified or corrected.[19]

In effect, this equates the award or decision of the voluntary arbitrator with that of the regional trial court. Consequently, in a petition for certiorari from that award or decision, the Court of Appeals must be deemed to have concurrent jurisdiction with the Supreme Court. As a matter of policy, this Court shall henceforth remand to the Court of Appeals petitions of this nature for proper disposition.

ACCORDINGLY, the Court resolved to **REFER** this case to the Court of Appeals.

SO ORDERED.

Padilla, Regalado, Davide, Jr., Bellosillo, Puno, Vitug, Kapunan, Mendoza, Francisco and Hermosisima, Jr., *JJ.*, concur.

Narvasa, *C.J.*, and Melo, *J.*, is on leave.

Feliciano, *J.*, concurs in the result.

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[1] Seide, A Dictionary of Arbitration (1970).
[2] Ibid.
[3] Art. 260, Labor Code
[4] Art. 217, Labor Code.
[5] Art. 262-A, par. 4, Labor Code.
[6] Art. 223, Labor Code.
[7] Oceanic Bic Division (FFW), et al. v. Romero, et al., 130 SCRA 392 (1984); Sime Darby Pilipinas, Inc. v. Magsalin, et al., 180 SCRA 177 (1989).
[8] 98 SCRA 314 (1980).
[9] Supra.
[10] Art. 262-A, in relation to Art. 217 (b) and (c), Labor Code, as amended by Sec. 9, R.A. 6715.
[11] Executive Order No. 1008.
[12] Laurens Federal Sav. and Loan Ass'n v. South Carolina Tax Commission, 112 S.E. 2d 716, 236 S.C. 2.
[13] Govt. of P.I. v. Springer, et al., 50 Phil. 259, 334 (1927).
[14] Ciulla v. State, 77 N.Y.S. 2d 545, 550, 191 Misc. 528.
[15] In re Turncock's Estate, 300 N.W. 155, 156, 238 Wis 438.
[16] In re Brown Co., D.C. Me., 36 F. Supp. 275, 277.
[17] Gagne v. Brush, D.C.N.H., 30 F. Supp. 714, 716.
[18] First Lepanto Ceramics, Inc. v. CA, et al., 231 SCRA 30 (1994).
[19] Section 23, R.A. No. 876.
