

Republic of the Philippines  
Supreme Court  
Manila

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WILFREDO M. SANTIAGO  
Division Clerk of Court  
Third Division  
DEC 19 2016

THIRD DIVISION

LIGHT RAIL TRANSIT G.R. No. 188047  
AUTHORITY, Petitioner,

-versus-

BIENVENIDO R. ALVAREZ,  
CARLOS S. VELASCO,  
ASCENCION A.  
GARGALICANO, MARLON E.  
AGUINALDO, PETRONILO T.  
LEGASPI, BONIFACIO A.  
ESTOPIA, ANDRE A. DELA  
MERCED, JOSE NOVIER D.  
BAYOT, ROLANDO AMAZONA  
and MARLINO HERRERA,  
Respondents.

Present:  
VELASCO, JR., J., Chairperson,  
PERALTA,  
PEREZ,  
REYES, and  
JARDELEZA, JJ.

Promulgated:

November 28, 2016

*Wilfredo M. Santiago*

X ----- X

DECISION

JARDELEZA, J.:

This is a Petition for Review on *Certiorari*<sup>1</sup> assailing the Decision<sup>2</sup> and Resolution<sup>3</sup> of the Court of Appeals (CA) in CA-G.R. SP No. 103278 dated February 20, 2009 and May 22, 2009, respectively. The Decision and Resolution dismissed the Petition for *Certiorari*<sup>4</sup> filed by the Light Rail Transit Authority (LRTA), which sought to annul and reverse the Resolution<sup>5</sup> of the National Labor Relations Commission (NLRC) in NLRC CA Case No. 046112-05 dated November 5, 2007.

The Facts

LRTA is a government-owned and controlled corporation created by

<sup>1</sup> *Rollo*, pp. 34-57-A.  
<sup>2</sup> *Id.* at 12-28. Ponencia by Associate Justice Andres B. Reyes, Jr., with Associate Justices Jose C. Reyes, Jr. and Normandie B. Pizarro, concurring.  
<sup>3</sup> *Id.* at 30-31.  
<sup>4</sup> *CA rollo*, pp. 3-29.  
<sup>5</sup> *Id.* at 31-44.

*J*

virtue of Executive Order No. 603,<sup>6</sup> for the purpose of the construction, operation, maintenance, and/or lease of light rail transit system in the Philippines.<sup>7</sup> Private respondents Bienvenido R. Alvarez, Carlos S. Velasco, Ascencion A. Gargalicano, Marlon E. Aguinaldo, Petronilo T. Legaspi, Bonifacio A. Estopia, Andre A. Dela Merced, Jose Novier D. Bayot, Rolando C. Amazona and Marlino G. Herrera (private respondents) are former employees of Meralco Transit Organization, Inc. (METRO).<sup>8</sup>

On June 8, 1984, METRO and LRTA entered into an agreement called "Agreement for the Management and Operation of the Light Rail Transit System" (AMO-LRTS) for the operation and management of the light rail transit system.<sup>9</sup> LRTA shouldered and provided for all the operating expenses of METRO.<sup>10</sup> Also, METRO signed a Collective Bargaining Agreement (CBA) with its employees wherein provisions on wage increases and benefits were approved by LRTA's Board of Directors.<sup>11</sup>

However, on April 7, 1989, the Commission on Audit (COA) nullified and voided the AMO-LRTS.<sup>12</sup> To resolve the issue, LRTA decided to acquire METRO by purchasing all of its shares of stocks on June 8, 1989. METRO, thus, became a wholly-owned subsidiary of LRTA. Since then, METRO has been renamed to Metro Transit Organization, Inc.<sup>13</sup> Also, by virtue of the acquisition, LRTA appointed the new set of officers, from chairman to members of the board, and top management of METRO.<sup>14</sup> LRTA and METRO declared and continued the implementation of the AMO-LRTS and the non-interruption of employment relations of the employees of METRO. They likewise continued the establishment and funding of the Metro, Inc. Employees Retirement Plan which covers the past services of all METRO regular employees from the date of their employment. They confirmed that all CBAs remained in force and effect. LRTA then sanctioned the CBA's of the union of rank and file employees and the union of supervisory employees.<sup>15</sup>

On November 17, 1997, the METRO general manager (who was appointed by LRTA) announced in a memorandum that its board of directors approved the severance/resignation benefit of METRO employees at one and a half (1 ½) months salaries for every year of service.<sup>16</sup>

On July 25, 2000, the union of rank and file employees of METRO

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<sup>6</sup> Creating a Light Rail Transit Authority, Vesting the Same with Authority to Construct and Operate the Light Rail Transit (LRT) Project and Providing Funds Therefor, July 12, 1980.

<sup>7</sup> *Rollo*, p. 36.

<sup>8</sup> *Id.* at 13.

<sup>9</sup> *CA rollo*, p. 107.

<sup>10</sup> *Id.*

<sup>11</sup> *CA rollo*, pp. 107-108.

<sup>12</sup> *Id.* at 108.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> *CA rollo*, pp. 108-109.

declared a strike over a retirement fund dispute.<sup>17</sup> By virtue of its ownership of METRO, LRTA assumed the obligation to update the Metro, Inc. Employees Retirement Fund with the Bureau of Treasury.<sup>18</sup>

A few months later, or on September 30, 2000, LRTA stopped the operation of METRO.<sup>19</sup> On April 5, 2001, METRO's Board of Directors approved the release and payment of the first fifty percent (50%) of the severance pay to the displaced METRO employees, including private respondents, who were issued certifications of eligibility for severance pay along with the memoranda to receive the same.<sup>20</sup>

Upon the request of the COA corporate auditor assigned at LRTA, COA issued an Advisory Opinion through its Legal Department, and an Advise (*sic*) from Chairman Guillermo N. Carague, that LRTA is liable, as owner of its wholly-owned subsidiary METRO, to pay the severance pay of the latter's employees.<sup>21</sup>

LRTA earmarked an amount of ₱271,000,000.00 for the severance pay of METRO employees in its approved corporate budget for the year 2002.<sup>22</sup> However, METRO only paid the first fifty percent (50%) of the severance pay of private respondents, thus, the following balance:

	NAME	MAN NO.	50% (Php)
1.	Marlon E. Aguinaldo	0303	243,482.55
2.	Bie[n]venido R. Alvarez	0304	193,952.82
3.	Bonifacio A. Estopia	0313	242,456.29
4.	Petronilo J. Legaspi	0323	245,566.24
5.	Andre A. [Dela] Merced	0328	322,187.70
6.	Marlino G. Herrera	0400	239,055.57
7.	Rolando C. Amazona	0485	231,432.00
8.	Jose Novier D. Bayot	1201	231,494.17
9.	Ascencion A. Gargalicano	1212	175,733.82
10.	Carlos S. Velasco	1863	<u>103,330.08</u>
			2,228,691.24 <sup>23</sup>

Private respondents repeatedly and formally asked LRTA, being the principal owner of METRO, to pay the balance of their severance pay, but to no avail.<sup>24</sup> Thus, they filed a complaint before the Arbitration Branch of the NLRC, docketed as NLRC NCR Case No. 00-08-09472-04, praying for the payment of 13<sup>th</sup> month pay, separation pay, and refund of salary deductions, against LRTA and METRO.<sup>25</sup>

<sup>17</sup> *Rollo*, p. 15.

<sup>18</sup> *Id.*

<sup>19</sup> *CA rollo*, p. 109.

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> *CA rollo*, p. 110.

<sup>23</sup> *Id.*

<sup>24</sup> *CA rollo*, pp. 110-111.

<sup>25</sup> *Id.* at 106.

In a Decision<sup>26</sup> dated July 22, 2005, Labor Arbiter (LA) Elias H. Salinas ruled in favor of private respondents. In arriving at his Decision, the LA adopted the ruling in *Light Rail Transit Authority v. National Labor Relations Commission, Ricardo B. Malanao, et al.*<sup>27</sup> (Malanao), which at that time was affirmed by the CA (Twelfth Division). The LA adopted the ruling in *Malanao* because it involved the same claims, facts, and issues as in this case.<sup>28</sup> *Malanao* ordered respondents LRTA and METRO to jointly and severally pay the balance of the severance pay of the complainants therein. Thus, the dispositive portion<sup>29</sup> of the LA Decision reads:

**WHEREFORE**, premises considered, judgment is hereby rendered ordering respondents Light Rail Transit Authority and Metro Transit Organization, Inc. to pay complainants the balance of their severance pay as follows:

NAME	50% Balance of Severance Pay
1. Marlon E. Aguinaldo	P 243,482.55
2. Bie[n]venido R. Alvarez	P 193,952.82
3. Bonifacio A. Estopia	P 242,456.29
4. Petronilo J. Legaspi	P 245,566.24
5. Andre A. [Dela] Merced	P 322,187.70
6. Marlino G. Herrera	P 239,055.57
7. Rolando C. Amazona	P 231,432.00
8. Jose Novier D. Bayot	P 231,494.17
9. Ascencion A. Gargalicao	P 175,733.82
10. Carlos S. Velasco	<u>P 103,330.08</u>
	P2,228,691.24

Respondents are further ordered to pay the sum equivalent to ten per cent of the foregoing amount as and by way of attorney's fees.

All other claims are ordered dismissed for lack of merit.

SO ORDERED.<sup>30</sup>

On September 29, 2005, LRTA and METRO separately appealed the LA's Decision before the NLRC, docketed as NLRC CA Case No. 046112-05.<sup>31</sup>

In its Resolution dated November 5, 2007, the NLRC dismissed METRO's appeal for failure to file the required appeal bond. Therefore, the

<sup>26</sup> *Id.* at 106-116.

<sup>27</sup> CA-G.R. SP No. 83984, April 27, 2005; Entry of Judgment, G.R. No. 169164, February 21, 2006. See *rollo*, pp. 109-139. See also Compromise Agreement dated December 21, 2006 between LRTA, represented by its Administrator, Melquiades A. Robles, and Ricardo Malanao, *et al.* CA *rollo*, pp. 146-150.

<sup>28</sup> *Id.* at 112.

<sup>29</sup> *Id.* at 115.

<sup>30</sup> *Id.* at 115-116.

<sup>31</sup> *Id.* at 31-32.

NLRC ruled that the appealed Decision of the LA (as regards METRO) is declared final and executory.<sup>32</sup> In the same Resolution, the NLRC sustained the Decision of the LA *in toto*, and therefore dismissed LRTA's appeal for lack of merit. The dispositive portion reads:

WHEREFORE, premises considered, the Metro, Inc[.]'s Appeal is DISMISSED for failure to get perfected. LRTA's Appeal is likewise DISMISSED for lack of merit. Accordingly, the Decision appealed from is SUSTAINED *in toto*.<sup>33</sup>

LRTA's motion for reconsideration of the Resolution was denied.<sup>34</sup> Thus, LRTA filed a Petition for *Certiorari*<sup>35</sup> with the CA.

### CA Decision

The CA denied LRTA's petition. First, the CA ruled that since LRTA failed to comply with the mandatory appeal bond, it lost its right to appeal.<sup>36</sup> Consequently, the LA's ruling already became final and executory.<sup>37</sup>

On the merits of the case, the CA noted that the monetary claims emanated from the CBA; hence, the controversy must be settled in light of the CBA. As the CBA controls, it is clear that LRTA has to pay the remaining fifty percent (50%) of the retirement benefits due to the private respondents. The CA held that whether the NLRC has jurisdiction to hear the case, the result would be the same: that LRTA has financial obligations to private respondents.<sup>38</sup>

Finally, on the issue of jurisdiction, the CA found that METRO, even if it is a subsidiary of LRTA, remains a private corporation. This being the case, the money claim brought against it falls under the original and exclusive jurisdiction of the LA. Also, the CA agreed with the NLRC that the principle of *stare decisis* applies to this case. The NLRC applied the CA's Decision in *Malanao*, ruling that LRTA is liable for the fifty percent (50%) balance of the separation pay of the private respondents therein.<sup>39</sup>

LRTA filed a Motion for Reconsideration<sup>40</sup> arguing that contrary to what the CA declared, it filed the mandatory appeal bond.<sup>41</sup> It also claimed that the NLRC had no jurisdiction over LRTA, and that the NLRC erred in applying *stare decisis*.<sup>42</sup> The CA, however, denied LRTA's motion for lack of

<sup>32</sup> *Id.* at 33.

<sup>33</sup> *Id.* at 44.

<sup>34</sup> *Id.* at 46.

<sup>35</sup> *Supra* note 4.

<sup>36</sup> *Rollo*, p. 20.

<sup>37</sup> *Id.* at 24.

<sup>38</sup> *Id.* at 24-25.

<sup>39</sup> *Id.* at 26-27.

<sup>40</sup> *CA rollo*, pp. 215-225.

<sup>41</sup> *Id.* at 217.

<sup>42</sup> *Id.* at 217-221.

merit.<sup>43</sup>

Hence, this petition.

Pending resolution of the case by this Court, private respondents filed with the NLRC a Motion for Issuance of a Writ of Execution<sup>44</sup> dated September 4, 2009.

On August 5, 2010, private respondents filed an Urgent Manifestation<sup>45</sup> with this Court, informing us that a Writ of Execution<sup>46</sup> has been issued on July 9, 2010 by the LA, since no Temporary Restraining Order was issued by the CA or this Court. There being no response from LRTA after service of the writ, and upon motion of private respondents, the LA ordered<sup>47</sup> the release of the cash bond deposited by LRTA, and which was subsequently released to the private respondents. Thus, they prayed that the case be dismissed for having been moot and academic.<sup>48</sup> In a Reply (To Respondents' Urgent Manifestation),<sup>49</sup> LRTA argued that the case has not become moot and academic.

### The Petition

LRTA now appeals the CA Decision and argues<sup>50</sup> that the CA erred in:

- 1) Ruling that the LA and NLRC have jurisdiction over LRTA;
- 2) Holding LRTA jointly and severally liable for private respondents' money claims; and
- 3) Wrongly applying the doctrine of *stare decisis*.

### The Court's Ruling

We deny the petition.

The same factual setting, (save for the identity of private respondents) and issues raised in this case also obtained in *Light Rail Transit Authority v. Mendoza*<sup>51</sup> (Mendoza). In that case, this Court ruled that LRTA is solidarily liable for the remaining fifty percent (50%) of the respondents' separation pay. The doctrine of *stare decisis*, therefore, warrants the dismissal of this

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<sup>43</sup> *Rollo*, p. 31.

<sup>44</sup> *Id.* at 74-80.

<sup>45</sup> *Id.* at 141-143.

<sup>46</sup> *Id.* at 144-147.

<sup>47</sup> *Id.* at 148-149.

<sup>48</sup> *Id.* at 142. See also *Light Rail Transit Authority v. Mendoza*, G.R. No. 202322, August 19, 2015, 767 SCRA 624. In *Mendoza*, the Labor Arbiter likewise issued a Writ of Execution for his decision and ordered the release of LRTA's cash bond. The respondents also filed an Urgent Manifestation stating that they considered the case to have become academic. Nevertheless, the Court proceeded to rule on the merits of the case.

<sup>49</sup> *Rollo*, pp. 155-161.

<sup>50</sup> *Id.* at 41.

<sup>51</sup> *Supra.*

petition. The rule of *stare decisis* is a bar to any attempt to re-litigate the same issue where the same questions relating to the same event have been put forward by parties similarly situated as in a previous case litigated and decided by a competent court.<sup>52</sup> Thus, the Court's ruling in *Mendoza* regarding LRTA's solidary liability for respondents' monetary claims arising from the very same AMO-LRTS which private respondents sought to enforce in the proceedings *a quo* applies to the present case. Consequently, LRTA's appeal must be dismissed.

*The LA and the NLRC have jurisdiction over private respondents' money claims.*

LRTA argues that the LA and NLRC do not have jurisdiction over the case. LRTA cites *Light Rail Transit Authority v. Venus, Jr.*<sup>53</sup> (*Venus*) to support its claim.

We disagree. LRTA's reliance on *Venus* is misplaced. *Venus* involves the illegal dismissal of the complainants. The proceedings *a quo* is not for an illegal dismissal case, but for the monetary claims of respondents against METRO and LRTA. Thus, unlike in *Venus*, this case does not involve the issue of respondents' employment with METRO or LRTA. In fact, in *Mendoza*, this Court held, "[a]s we see it, the jurisdictional issue should not have been brought up in the first place because the respondents' claim does not involve their employment with LRTA. There is no dispute on this aspect of the case. The respondents were hired by METRO and, were, therefore its employees."<sup>54</sup>

The only issue, therefore, as in *Mendoza*, is whether LRTA can be made liable by the labor tribunals for private respondents' money claim despite the absence of an employer-employee relationship, and though LRTA is a government-owned and controlled corporation.

We rule in the affirmative. In *Mendoza*, this Court upheld the jurisdiction of the labor tribunals over LRTA, citing *Philippine National Bank v. Pabalan*:<sup>55</sup>

X X X By engaging in a particular business thru the instrumentality of a corporation, the government divests itself pro hac vice of its sovereign character, so as to render the corporation subject to the rules of law governing private corporations.<sup>56</sup>

<sup>52</sup> *Tala Realty Services Corp., Inc. v. Banco Filipino Savings and Mortgage Bank*, G.R. No. 181369, June 22, 2016, citing *Chinese Young Men's Christian Association of the Philippine Islands v. Remington Steel Corporation*, G.R. No. 159422, March 28, 2008, 550 SCRA 180, 197-198; *Pepsi Cola Products (Phils.), Inc. v. Espiritu*, G.R. No. 150394, June 26, 2007, 525 SCRA 527, 534.

<sup>53</sup> G.R. No. 163782, March 24, 2006, 485 SCRA 361.

<sup>54</sup> *Light Rail Transit Authority v. Mendoza*, *supra* note 48 at 635.

<sup>55</sup> G.R. No. L-33112, June 18, 1978, 83 SCRA 595, 600.

<sup>56</sup> *Supra* note 48 at 635.

This Court further ruled that LRTA must submit itself to the provisions governing private corporations, including the Labor Code, for having conducted business through a private corporation, in this case, METRO.<sup>57</sup>

In this case, the NLRC accordingly declared, “[LRTA’s] contractual commitments with [METRO] and its employees arose out of its business relations with [METRO] which is private in nature. Such private relation was not changed notwithstanding the subsequent acquisition by [LRTA] of full ownership of [METRO] and take-over of its business operations at LRT.”<sup>58</sup>

In view of the foregoing, we rule that the CA did not err when it upheld the jurisdiction of the labor tribunals over private respondents’ money claims against LRTA.<sup>59</sup>

*LRTA is solidarily liable with METRO for the payment of private respondents’ separation pay.*

LRTA claims that it is not the real or actual or indirect employer of private respondents.<sup>60</sup> It argues that there being no employer-employee relationship, it is legally inconceivable how LRTA can be held solidarily liable with METRO for the payment of private respondents’ separation differentials.<sup>61</sup>

Again, we disagree. LRTA is liable for the balance of private respondents’ separation pay.

First, LRTA is contractually obligated to pay the retirement or severance/resignation pay of METRO employees. Citing evidence on record, the LA found that:

x x x On November 17, 1997, the Metro, Inc. general manager appointed by LRTA announced in a memorandum that its Board of Directors approved the severance/resignation benefit of Metro, Inc. employees at one and a half (1.5) months salaries for every year of service. x x x By virtue of its ownership of Metro, Inc. LRTA officially and formally assumed by authority of its board the obligation to update the Metro, Inc. Employees Retirement Fund with the Bureau of Treasury, to ensure that the fund fully covers all retirement benefits payable to

<sup>57</sup> *Supra* note 48 at 635.

<sup>58</sup> *CA rollo*, p. 42.

<sup>59</sup> See *Light Rail Transit Authority v. National Labor Relations Commission, Ricardo B. Malanao, et al.*, *supra* note 27.

<sup>60</sup> *Rollo*, p. 44.

<sup>61</sup> *Id.* at 51.



Metro, Inc.[.] employees x x x. [T]he LRTA's appointed Board of Directors for Metro, Inc. approved the release and payment of the first fifty (50%) per cent of the severance pay to the displaced Metro, Inc. employees x x x and complainants were issued the certifications of eligibility for severance pay/benefit and the memoranda to receive the same x x x.<sup>62</sup>

On this same issue, we again quote this Court's ruling in *Mendoza*:

First. LRTA obligated itself to fund METRO's retirement fund to answer for the retirement or severance/resignation of METRO employees as part of METRO's "operating expenses." Under Article 4.05.1 of the O & M agreement between LRTA and Metro, "The Authority shall reimburse METRO for x x x "OPERATING EXPENSES x x x." In the letter to LRTA dated July 12, 2001, the Acting Chairman of the METRO Board of Directors at the time, Wilfredo Trinidad, reminded LRTA that funding provisions for the retirement fund have always been considered operating expenses of Metro. The coverage of operating expenses to include provisions for the retirement fund has never been denied by LRTA.

In the same letter, Trinidad stressed that as a consequence of the nonrenewal of the O & M agreement by LRTA, METRO was compelled to close its business operations effective September 30, 2000. This created, Trinidad added, a legal obligation to pay the qualified employees separation benefits under existing company policy and collective bargaining agreements. The METRO Board of Directors approved the payment of 50% of the employees' separation pay because that was only what the Employees' Retirement Fund could accommodate.

The evidence supports Trinidad's position. We refer principally to Resolution No. 00-44 issued by the LRTA Board of Directors on July 28, 2000, in anticipation of and in preparation for the expiration of the O & M agreement with METRO on July 31, 2000.

Specifically, the LRTA anticipated and prepared for the (1) non-renewal (at its own behest) of the agreement, (2) the eventual cessation of METRO operations, and (3) the involuntary loss of jobs of the METRO employees; thus, (1) the extension of a two-month bridging fund for METRO from August 1, 2000, to coincide with the agreement's expiration on July 31, 2000; (2) METRO's cessation of operations — it closed on September 30, 2000, the last day of the bridging fund — and most significantly to the employees adversely affected; (3) the updating of the "Metro, Inc., Employee Retirement Fund with the Bureau of Treasury to ensure that the fund fully covers all

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<sup>62</sup> CA rollo, pp. 108-109. Emphasis supplied.



retirement benefits payable to the employees of Metro, Inc.”

The clear language of Resolution No. 00-44, to our mind, established the LRTA’s obligation for the 50% unpaid balance of the respondents’ separation pay. Without doubt, it bound itself to provide the necessary funding to METRO’s Employee Retirement Fund to fully compensate the employees who had been involuntary retired by the cessation of operations of METRO. This is not at all surprising considering that METRO was a wholly owned subsidiary of the LRTA.<sup>63</sup>

Second, assuming *arguendo* that LRTA is not contractually liable to pay the separation benefits, it is solidarily liable as an indirect employer of private respondents.

Articles 107 and 109 of the Labor Code provide:

Art. 107. *Indirect employer.* – The provisions of the immediately preceding article shall likewise apply to any person, partnership, association or corporation which, not being an employer, contracts with an independent contractor for the performance of any work, task, job or project.

x x x

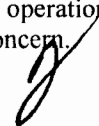
Art. 109. *Solidary liability.* – The provisions of existing laws to the contrary notwithstanding, every employer or indirect employer shall be held responsible with his contractor or subcontractor for any violation of any provision of this Code. For purposes of determining the extent of their civil liability under this Chapter, they shall be considered as direct employers.

Based on the foregoing provisions, LRTA qualifies as an indirect employer by contracting METRO to manage and operate the Metro Manila light rail transit. Being an indirect employer, LRTA is solidarily liable with METRO in accordance with Article 109 of the Labor Code. The fact that there is no actual and direct employer-employee relationship between LRTA and private respondents does not absolve the former from liability for the

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<sup>63</sup> *Supra* note 48 at 636-637. Emphasis and citations omitted. See also CA Decision in *Light Rail Transit Authority v. National Labor Relations Commission, Ricardo B. Malanao, et al.*, CA-G.R. SP No. 83984, April 27, 2005, *rollo*, pp. 133-134, to wit:

x x x As exhaustively discussed in the decisions of the Labor Arbiter and NLRC, petitioner contractually bound itself to fund the Metro Employees’ Retirement Fund as well as wages, salaries and benefits as part of Operating Expenses, and which set-up was continued after Metro became its wholly-owned subsidiary particularly as petitioner had already complied with such contractual liability for the severance pay of private respondents by paying 50% thereof. Thus, even if the liabilities of Metro remained its own as still a separate corporate entity from petitioner which had acquired full ownership thereof, evidence clearly showed that petitioner had agreed to assume such obligations of Metro to its employees, and also since petitioner merely continued Metro’s operation and management of the LRT which apparently had been Metro’s sole client and business concern.



latter's monetary claims.<sup>64</sup> The owner of the project is not the direct employer but merely an indirect employer, by operation of law, of his contractor's employees.<sup>65</sup>

More, this Court has already ruled on this issue in *Mendoza*:

Second. Even on the assumption that the LRTA did not obligate itself to fully cover the separation benefits of the respondents and others similarly situated, it still cannot avoid liability for the respondents' claim. It is solidari[l]y liable as an indirect employer under the law for the respondents' separation pay. This liability arises from the O & M agreement it had with METRO, which created a principal-job contractor relationship between them, an arrangement it admitted when it argued before the CA that METRO was an independent job contractor who, it insinuated, should be solely responsible for the respondents' claim.

Under Article 107 of the Labor Code, an indirect employer is "any person, partnership, association or corporation which, not being an employer, contracts with an independent contractor for the performance of any work, task, job or project."

On the other hand, Article 109 on solidary liability, mandates that x x x "every employer or indirect employer shall be held responsible with his contractor or subcontractor for any violation of any provisions of this Code. For purposes of determining the extent of their civil liability under this Chapter, they shall be considered as direct employers."


Department Order No. 18-02, S. 2002, the rules implementing Articles 106 to 109 of the Labor Code, provides in its Section 19 that "the principal shall also be solidarily liable in case the contract between the principal is preterminated for reasons not attributable to the contractor or subcontractor."

Although the cessation of METRO's operations was due to a nonrenewal of the O & M agreement and not a pretermination of the contract, the cause of the nonrenewal and the effect on the employees are the same as in the contract pretermination contemplated in the rules. The agreement was not renewed through no fault of METRO, as it was solely at the behest of LRTA. The fact is, under the circumstances, METRO really had no choice on the matter, considering that it was a mere subsidiary of LRTA.

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<sup>64</sup> *Government Service Insurance System v. National Labor Relations Commission*, G.R. No. 180045, November 17, 2010, 635 SCRA 251, 259.

<sup>65</sup> *Baguio v. National Labor Relations Commission*, G.R. Nos. 79004-08, October 4, 1991, 202 SCRA 465, 472-473.




Nevertheless, whether it is a pretermination or a nonrenewal of the contract, the same adverse effect befalls the workers affected, like the respondents in this case — the involuntary loss of their employment, one of the contingencies addressed and sought to be rectified by the rules.<sup>66</sup>


In view of the foregoing, we affirm the CA in sustaining the decisions of the LA and the NLRC ordering LRTA to pay the balance of private respondents' separation pay.

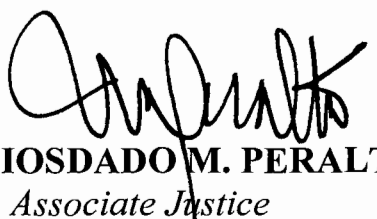
**WHEREFORE**, the Petition is **DENIED**. The Decision dated February 20, 2009 of the Court of Appeals in CA-G.R. SP No. 103278 is **AFFIRMED**.

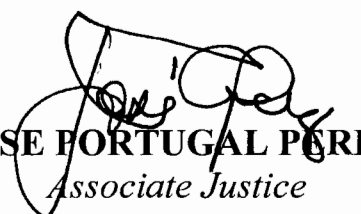
**SO ORDERED.**

  
**FRANCIS H. JARDELEZA**  
*Associate Justice*

WE CONCUR:

  
**PRESBITERO J. VELASCO, JR.**  
*Associate Justice*  
*Chairperson*

  
**DIOSDADO M. PERALTA**  
*Associate Justice*

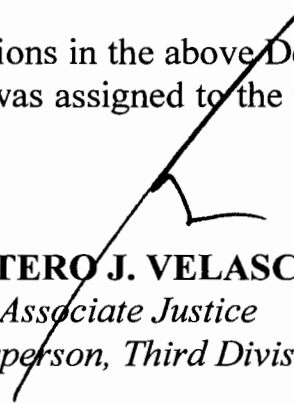
  
**JOSE PORTUGAL PEREZ**  
*Associate Justice*

  
**BIENVENIDO L. REYES**  
*Associate Justice*

<sup>66</sup> *Supra* note 48 at 637-638. Emphasis omitted.

**A T T E S T A T I O N**

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.



**PRESBITERO J. VELASCO, JR.**

*Associate Justice*

*Chairperson, Third Division*

**C E R T I F I C A T I O N**

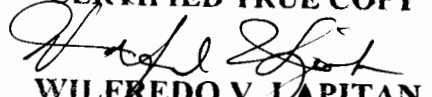
Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's attestation, it is hereby certified that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**MARIA LOURDES P. A. SERENO**

*Chief Justice*

**CERTIFIED TRUE COPY**



**WILFREDO V. LAPITAN**  
Division Clerk of Court  
Third Division

DEC 19 2016