Supreme Court E-Library

THIRD DIVISION

[G.R. No. 207853; March 30, 2022]

CLARK DEVELOPMENT CORPORATION, *Petitioner*, **and GOVERNANCE COMMISSION FOR GOCCs (GOVERNMENT-OWNED AND -CONTROLLED CORPORATIONS),** *Petitioner-Intervenor*, *v.* **ASSOCIATION OF CDC SUPERVISORY PERSONNEL UNION,** *Respondent*.

D E C I S I O N

M. LOPEZ, *J.*:

The validity of the terms and conditions of government employment fixed in the collective bargaining agreement (CBA) is the core issue in this petition for review on *certiorari* assailing the Decision[1] of the Court of Appeals (CA) dated April 8, 2013 in CA-G.R. SP No. 127560.

ANTECEDENTS

On March 20, 2012, the Clark Development Corporation (CDC), the operating arm of the Bases Conversion Development Authority (BCDA), tasked to manage the Clark Special Economic Zone,[2] executed a renegotiated CBA with its supervisory employees union Association of CDC Supervisory Personnel (ACSP).

The CBA granted the supervisory employees additional benefits, to wit:

---

[1] *Rollo*, pp. 43-55. Penned by Associate Justice Celia C. Librea-Leagogo with the concurrence of Associate Justices Franchito N. Diamante and Melchor Q.C. Sadang.

[2] Republic Act No. 7227, An Act Accelerating the Conversion of Military Reservations Into Other Productive Uses, Creating the Bases Conversion and Development Authority for this Purpose, Providing Funds Therefor and for Other Purposes. Approved: March 13, 1992.

Supreme Court E-Library

SALIENT ECONOMIC GRANTS AGREED BY CDC AND ACSP:

- Additional annual union leave from ten (10) to fifteen (15) days with the condition of no more than eleven (11) union members and/or members shall be allowed to use the union leave at any one time[;]
- Additional bereavement leave (death of an immediate family member – parent, brother, sister, child[,] or spouse) from three (3) to five (5) days[;]
- Free use of CDC guesthouses for eleven (11) days per year during weekdays subject to availability of the unit[;]
- Allow ACSP the use of a service vehicle subject to the existing policies and guidelines in the use of vehicle[;]
- Salary increase of 8% on the first year and 4% on the second year[;]
- Additional uniform allowance of [₱]500.00 every year until 2016[;]
- Additional monthly Personal Economic Relief Allowance (PERA) of [₱]500.00[;]
- Onetime signing bonus of [₱]25,000.00[;] [and]
- Reproduction and distribution of Agreement to all ACSP members[.][3]

On the other hand, the Governance Commission for Government-Owned and -Controlled Corporations (GCG) opined that the CBA violated Section 9 of Executive Order (EO) No. 7, signed on September 8, 2010[4] which imposed a moratorium on increases in the salaries, allowances, incentives and other benefits in Government-Owned and -Controlled Corporations (GOCCs) unless specifically authorized by the President of the Republic of the Philippines (President). Yet, the President did not give CDC the authority to renegotiate the CBA with ACSP and grant its members increases and/or additional benefits.[5] Meantime, the BCDA recommended the deferment or renegotiation of the CBA

---

[3] *Rollo*, p. 115.

[4] Directing the Rationalization of the Compensation and Position Classification System in the Government-Owned and -Controlled Corporations (GOCCs) and Government Financial Institutions (GFIs), and for Other Purposes.

[5] *Rollo*, pp. 149-156.

Supreme Court E-Library

unless CDC can prove financial sustainability of its economic terms.[6]

On August 1, 2012, ACSP filed a complaint against CDC before the National Conciliation and Mediation Board, Department of Labor and Employment, San Fernando, Pampanga, for failure to implement the CBA docketed as NCMB-AC25-RB3-08-01-01-2012.[7] On November 5, 2012, the Accredited Voluntary Arbitrator (AVA) pointed out that Section 10 of EO No. 7, Series of 2010 suspended the grant of allowances, bonuses, incentives, and other perks to the members of the boards of directors/trustees of GOCCs only until December 31, 2010.[8] Moreover, the AVA held that the President's approval in the grant of additional benefits was presumed pursuant to the rule on liberal construction in favor of labor,[9] thus:

WHEREFORE, premises considered, the [AVA] resolves to issue a decision favorable to the members of the ASSOCIATION OF CDC SUPERVISORY UNION in recognition of their Constitutional Right to Collective Bargaining and Negotiation as provided in Article XIII Sec. 3 of the Constitution. The Accredited Voluntary Arbitrator believes that the President of the Philippines to whom was submitted the economic provisions for approval namely:

1) Article IV, Section 10. Union Leave

2) Article IV. Section 11. Policy on Attendance

3) Article IV. Section 13. Union Service Vehicle

4) Article VI, Section 5. Procedure

---

[6] Id. at 157.

[7] Id. at 22 and 43.

[8] SEC. 10. Suspension of All Allowances, Bonuses and Incentives for Members of the Board of Directors/Trustees. — The grant of allowances, bonuses, incentives, and other perks to members of the board of directors/trustees of GOCCs and GFIs, except reasonable per diems, is hereby suspended for until December 31, 2010, pending the issuance of new policies and guidelines on the compensation of these board members.

[9] Id. at 286-295. Penned by Accredited Voluntary Arbitrator Froilan M. Bacungan.

Supreme Court E-Library

5) Article VII, Section 7. Arbitration

6) Article X, Section 3. Paternity Leave

7) Article X, Section 5. Birthday Leave

8) Article X. Section 6. Bereavement Leave

9) Article X, Section 12. Personal Economic Relief Allowance

10) Article X, Section 17. Clothing Allowance

11) Article X, Section 22. Salary Increase

12) Article XII, Section 1. Provident and Retirement Fund[,] and

13) Article XIII[,] Signing Bonus[.]

Such approval should be presumed considering the Labor Code provision:

ART. 4. Construction in favor of labor. — All doubts in the implementation and interpretation of the provisions of this Code, including its implementing rules and regulations, shall be resolved in favor of labor.

So ordered.[10] (Emphases and italization in the original)

Aggrieved, CDC elevated the case to the CA through a Petition for Review[11] docketed as CA-G.R. SP No. 127560. On April 8, 2013, the CA affirmed the AVA's findings and explained that EO No. 7, Series of 2010 does not apply to CDC since it is a GOCC without original charter, as well as to ACSP because it is composed of supervisory employees. The CA echoed that the President's approval as to additional benefits was presumed in line with the principle that all doubts should be resolved in favor of labor.[12]

Unsuccessful at a reconsideration,[13] CDC filed this petition for review on *certiorari* ascribing reversible error on the part of the CA and the AVA in allowing the grant of additional benefits. CDC

---

[10] Id. at 294-295.

[11] Id. at 296-333.

[12] Id. at 46-55.

[13] Id. at 56-57.

Supreme Court E-Library

maintained that the CBA's economic terms was invalid and cannot be enforced because they were renegotiated without the President's approval and the GCG and BCDA's favorable recommendations. Moreover, Republic Act (RA) No. 10149 known as the "GOCC Governance Act of 2011," gave the President the authority to fix the GOCCs' compensation framework. Corollarily, the President's approval of additional benefits cannot be presumed. In contrast, ACSP contended that the CBA was the law between the parties and must be respected. Also, the CBA was renegotiated consistent with the employees' rights to organization and collective bargaining. Lastly, ACSP reiterated that EO No. 7, Series of 2010 was not applicable to GOCCs without original charter and that RA No. 10149 recognized the vested rights of government employees to their salaries.[14]

Meanwhile, GCG moved to intervene in the proceedings and alleged that the CBA contravened EO No. 7, Series of 2010 and RA No. 10149. GCG averred that the moratorium on the grant of additional benefits remained effective pending the promulgation and approval of the compensation and position classification system for GOCCs. In any event, there were no factual and legal bases to presume the President's consent on the CBA's economic provisions.[15]

RULING

The petition is meritorious.

Prefatorily, the Court grants GCG's motion for intervention. GCG established a legal interest in the matter being litigated and the outcome of the case as the central advisory, monitoring and oversight body authorized to formulate, implement, and coordinate policies for GOCCs. Further, the intervention of GCG will not prejudice the rights of CDC and ACSP, or delay the resolution of

---

[14] Id. at 359-420, Comment and Omnibus Motion [Referral of Case to the supreme Court *En Banc* and Motion to Lift Temporary Restraining Order] with Opposition to the Application for a writ of Preliminary Injunction filed by ACSP.

[15] Id. at 633-676, Omnibus Motion and Petition-In-Intervention both filed by Petitioner-Intervenor GCG.

Supreme Court E-Library

the case. Indeed, GCG raised similar issues as the original parties, hence, its claims were incapable of being properly decided in a separate proceeding.[16]

Anent the merits of the case, it is settled that "the right of government employees to self-organization is not as extensive as in the [right] of private [employees.]"[17] Likewise, the right of government employees to collective bargaining and negotiation is subject to limitations. Only the terms and conditions of government employment not fixed by law can be negotiated.[18] Notably, EO No. 7, Series of 2010, directed the rationalization of the compensation and position classification system in all GOCCs, and imposed a "[m]oratorium on increases in the rates of salaries, and the grant of new increases in the rates of allowances, incentives and other benefits, except salary adjustments pursuant to [EO] No. 811 dated June 17, 2009 and [EO] No. 900 dated June 23, 2010, are hereby imposed until specifically authorized by the President."[19] The prohibition is broadly worded and reveals the clear stance to halt the grant of additional salaries and allowances to GOCCs' employees and officers. The moratorium is intended "to strengthen supervision over the compensation levels of GOCCs x x x, in order to control the grant of excessive salaries, allowances, incentives, and other benefits."[20] The only exception is when the increase of salary is pursuant to the implementation of the first and second tranches of the Salary Standardization Law (SSL). Obviously, the renegotiated economic provisions of the CBA between CDC and ACSP are outside the SSL. In *Small Business Corporation v.*

---

[16] *Falcis, III v. Civil Registrar General*, G.R. No. 217910, September 3, 2019, <https://elibrary.judiciary.gov.ph/thebookshelf/docmonth/Sep/2019/1>.

[17] *Confederation for Unity, Recognition and Advancement of Government Employees v. Abad*, G.R. No. 200418, November 10, 2020. <https://elibrary.judiciary.gov.ph/thebookshelf/docmonth/Nov/2020/1>.

[18] *GSIS Family Bank Employees Union v. Villanueva*, G.R. No. 210773, January 23, 2019 <https://elibrary.judiciary.gov.ph/thebookshelf/docmonth/Jan/2019/1>.

[19] Section 9, EO No. 7, s. 2010.

[20] *Small Business Corporation v. Commission on Audit*, 819 Phil. 233, 251 (2017).

Supreme Court E-Library

Commission on Audit,[21] the Court explained that the clause *"until specifically authorized by the President"*[22] is not in the nature of an exception. Rather, the clause provides for the situation where the President, under the same authority by which the moratorium is imposed, deems it proper to lift the moratorium. The use of the preposition *"until"* before the phrase *"specifically authorized by the President"* denotes that the moratorium continues up to a particular time, *i.e.*, when the President authorizes anew the grant of the prohibited increases. On this score, the Court takes judicial notice that the President never lifted the moratorium from the time it was issued on September 8, 2010. As such, the economic terms of the CBA executed on March 20, 2012 are void for violating the law.

The CA and the AVA heavily relied on Section 10 of EO No. 7, Series of 2010, which provides that "[t]he grant of allowances, bonuses, incentives, and other perks to members of the board of directors/trustees of GOCCs and GFIs, except reasonable per diems, is hereby suspended for until December 31, 2010, pending the issuance of new policies and guidelines on the compensation of these board members." However, Section 10 pertains to the suspension of all allowances, bonuses, and incentives for members of the GOCCs' Board of Directors/Trustees, which is distinct from Section 9 on the moratorium on increases in salaries, allowances, incentives, and other benefits. Suffice it to say that Section 10 is inapplicable to ACSP which is a union composed of supervisory employees who can hardly be considered as members of CDC's board of directors. Worse, the CA and the AVA erred in declaring that EO No. 7, Series of 2010, does not cover CDC since it is a GOCC without original charter. Yet, there is nothing in the law that makes any express distinction between GOCCs with original charter, and those incorporated under the Corporation Code. Hence, EO No. 7, Series of 2010 applies to all GOCCs regardless of the manner of creation. "*Ubi lex non distinguit nec*

---

[21] 819 Phil. 233 (2017).

[22] Id. at 239.

Supreme Court E-Library

nos distinguire debemus. When the law does not distinguish, we must not distinguish."[23]

More telling is that RA No. 10149[24] removes the authority of GOCCs to determine their own compensation system. The law authorizes the GCG to develop a compensation and position classification system applicable to all GOCCs' officers and employees, whether under the SSL or exempt, for approval of the President.[25] "The GCG may recommend to the President, incentives for certain position titles in consideration of the good performance of the GOCC: x x x."[26] However, the GCG did not give its favorable recommendation to CDC and ACSP before they renegotiated the CBA for additional benefits. As intimated earlier, GCG even opined that the CBA violated Section 9[27] of EO No. 7, Series of 2010, while the BCDA suggested the deferment or renegotiation of the CBA.

Furthermore, it was on March 22, 2016, that the President issued EO No. 203,[28] Series of 2016, adopting the compensation and position classification system as well as the index of occupational services for GOCCs. Section 2 of EO No. 203, Series of 2016, is explicit that "[w]hile recognizing the constitutional right of workers to self-organization, collective bargaining and negotiations, the Governing Boards of all covered GOCCs, whether Chartered or Non-chartered, may not negotiate with their officers and employees the economic terms of their CBAs."

---

[23] *Kida v. Senate of the Phils.*, 683 Phil. 198, 219 (2012).

[24] An Act to Promote Financial Viability and Fiscal Discipline in [GOCCs] and to Strengthen the Role of the State in its Governance and Management to Make Them More Responsive to the Needs of Public Interest and for Other Purposes. Approved: June 6, 2011.

[25] *Galicto v. H.E. President Aquino III*, 683 Phil. 141, 175-176 (2012).

[26] Section 10, RA No. 10149.

[27] Moratorium on Increases in Salaries, Allowances, Incentives and other Benefits.

[28] Adopting a Compensation and Position Classification System (CPCS) and a General Index of Occupational Services (IOS) for the GOCC Sector Covered by [RA] No. 10149 and for Other Purposes.

Supreme Court E-Library

This provision supports the GCG's position that the moratorium under EO No. 7, Series of 2010 on the grant of additional benefits remains effective pending the promulgation and approval of the compensation framework for all the GOCCs. Quite the contrary, the Court finds no factual and legal bases for the CA and the AVA to presume that the President approved the renegotiated economic provisions of the CBA between CDC and ACSP. To be sure, the construction in favor of labor only applies when there are doubts in the interpretation and implementation of the provisions of the Labor Code and its implementing rules and regulations.[29] As explained above, however, the language of Section 9 of EO No. 7, Series of 2010 on the moratorium on increases in rates of salaries and other benefits is unambiguous. Consequently, the law must be interpreted following its plain and obvious meaning, and applied according to its express terms.[30] Again, the law requires the President's consent as to additional benefits effectively lifting the moratorium, and any presumption of such approval is unwarranted.

In the analogous case of *Social Housing Employees Association, Inc. v. Social Housing Finance Corp.*,[31] the respondent revoked the economic provisions of the CBA because they violated EO No. 7, Series of 2010, and RA No. 10149, that prohibited the adjustment of several benefits without the President's approval. The Court ruled that the petitioner "is not entitled to the new benefits and increases which yield neither legal nor binding effect."[32] The revocation of the CBA's economic provisions is valid and did

---

[29] Article 4, Chapter I, Labor Code. Construction in Favor of Labor. — All doubts in the implementation and interpretation of the provisions of this Code, including its implementing rules and regulations, shall be resolved in favor of labor.

[30] *Cubillo v. Social Security System,* G.R. No. 221067, January 14, 2019, <https://elibrary.judiciary.gov.ph/dtSearch/dtisapi6.dll?cmd=getdoc&DocId=12402&Index=%2aaa1de0751c9cff7439815a4b27e3ab58&HitCount= 3&hits=4+d+32+&SearchForm=C%5celibrev%5celibsearch%5cdtform>.

[31] G.R. No. 237729, October 14, 2020, <https://elibrary.judiciary.gov.ph/thebookshelf/docmonth/Oct/2020/1>.

[32] Id.

Supreme Court E-Library

not amount to diminution of benefits. Similarly, in *Philippine National Construction Corporation v. National Labor Relations Commission*,[33] the Court held that the petitioner "did not violate the non-diminution rule when it desisted from granting mid-year bonus to its employees"[34] without first securing authority from the President in view of the enactment of RA No. 10149. In that case, the petitioner failed to obtain the President's approval as to the grant of additional benefits.

In sum, the CDC has valid reason not to implement the increases in salaries and benefits as provided in the renegotiated CBA. The Court reminds that the law fixed the terms and conditions of government employment,[35] and any contract that violates the law is void and cannot be a source of rights and obligations.[36]

FOR THESE REASONS, the petition is **GRANTED**. The Court of Appeals' Decision dated April 8, 2013 in CA-G.R. SP No. 127560 is **REVERSED**. The complaint in NCMB-AC25-RB3-08-01-01-2012 is **DISMISSED** for lack of merit.

SO ORDERED.

Leonen (Chairperson), Lazaro-Javier, J. Lopez, and *Kho, Jr., JJ.*, concur.

APPEARANCES OF COUNSEL

Office of the Solicitor General for petitioner-intervenor.
Office of the Government Corporate Counsel for CDC.
Dolando & Associates for respondent.

---

[33] G.R. No. 248401, June 23, 2021, <https://elibrary.judiciary.gov.ph/thebookshelf/docmonth/Jun/2021/1>.

[34] Id.

[35] *Arizala v. Court of Appeals*, 267 Phil. 615, 620 (1990).

[36] *Beumer v. Amores*, 700 Phil. 90, 98 (2012).