

Title:

Hutama-RSEA Joint Operations, Inc. vs Citra Metro Manila Tollways Corporation

Facts:

Petitioner Hutama-RSEA Joint Operations, Inc. and respondent Citra Metro Manila Tollways Corporation, both Philippine corporations, were engaged in a contract where the petitioner was subcontracted for the construction of Stage 1 of the South Metro Manila Skyway Project, with a compensation agreed at US\$369,510,304.00. The project was completed and opened to the public on December 15, 1999. Despite partial payments, the petitioner alleged non-fulfillment of financial obligations by the respondent, including an outstanding balance and an early completion bonus.

On May 24, 2004, after unsuccessful negotiations for an amicable settlement, the petitioner sent a demand letter to the respondent for the unpaid amount. Eventually, the dispute was taken to the Construction Industry Arbitration Commission (CIAC) as CIAC Case No. 17-2005, bypassing a precondition in the contract requiring prior referral to a Dispute Adjudication Board (DAB).

The respondent objected, arguing CIAC lacked jurisdiction due to non-compliance with the precondition. However, CIAC ruled in favor of jurisdiction over the case. Dissatisfied, the respondent sought the Court of Appeals' intervention which, in turn, annulled the CIAC's decision, mandating adherence to the contract's stipulated dispute mechanism. This led to the petitioner's appeal to the Supreme Court through a Petition for Review on Certiorari.

Issues:

1. Does the CIAC have jurisdiction over the dispute despite non-compliance with the precondition of referral to the DAB as outlined in the EPCC?
2. Can the stipulated precondition in the EPCC contract serve as a bar to CIAC's jurisdiction over disputes arising therefrom?

Court's Decision:

The Supreme Court reversed the Court of Appeals' decision, emphasizing that CIAC's jurisdiction is conferred by law and cannot be diminished by contractual stipulations unless the parties explicitly choose a different arbitration institution. It held that an arbitration clause in a construction contract, by itself, vests CIAC with jurisdiction over disputes, notwithstanding any provision requiring referral to another arbitration body or a dispute adjudication mechanism prior to arbitration. Moreover, it underscored the intention behind

CIAC's establishment, i.e., to expedite the resolution of construction industry disputes. Consequently, the Supreme Court remanded the case to CIAC for further proceedings, directing swift resolution.

Doctrine:

The ruling clarified that CIAC's jurisdiction over disputes arising from construction contracts containing an arbitration clause is automatic and cannot be waived or diminished by the parties through conditions precedent or referral to a different adjudication method. This affirms the principle that the jurisdiction conferred by law on a body like CIAC prevails over contractual stipulations to the contrary.

Class Notes:

1. **CIAC Jurisdiction**: CIAC holds original and exclusive jurisdiction over disputes from construction contracts in the Philippines when such contracts include an arbitration clause, regardless of subsequent agreements or stipulations deviating to other arbitration bodies.
2. **Arbitration Agreement**: An agreement to arbitrate, whether referring to CIAC or to another body, must be in writing. It need not be signed as long as the intent to arbitrate is evident.
3. **Construction Industry Contribution**: CIAC was established to expedite dispute resolutions within the construction industry, recognizing its contribution to national development.
4. **Non-Diminution of Jurisdiction**: CIAC's jurisdiction established by law cannot be diminished by parties through contractual stipulations or conditions precedent, like prior referral to a Dispute Adjudication Board.

Historical Background:

This case underscores the evolving jurisprudence surrounding arbitration in construction disputes in the Philippines, particularly the tension between contractual autonomy and statutory mandates on dispute resolution. It highlights the legislative intent to fast-track the resolution of construction disputes through arbitration, reflected in the establishment of CIAC and framed within the broader context of fostering national development through the uninterrupted execution of construction projects.