

**\*\*Title: Republic of the Philippines v. Sergio C. Pascual (Doing Business under the Name and Style of SCP Construction)\*\***

**\*\*Facts:\*\***

The Republic of the Philippines, represented by the Department of Public Works and Highways (DPWH), awarded two construction projects to Sergio C. Pascual (SCP Construction). These involved road construction and upgrading in Bukidnon and Misamis Oriental, completed by Pascual but reported to have defects. Despite notices to rectify these defects, DPWH issued termination letters for both contracts due to non-compliance. Pascual, in response, argued against the termination, citing efforts to correct defects and requesting reconsideration. DPWH proceeded to terminate the contracts and blacklist Pascual.

**\*\*Procedural Posture:\*\***

Pascual sought arbitration under the Construction Industry Arbitration Commission (CIAC), claiming payment for the projects and additional damages. The DPWH challenged CIAC's jurisdiction, asserting no arbitration agreement existed in the contract and that disputes were time-barred. The CIAC ruled in favor of jurisdiction, leading DPWH to petition the Court of Appeals (CA), which upheld the CIAC's decision. DPWH then brought the case to the Supreme Court on similar grounds, including jurisdiction and timeliness of arbitration.

**\*\*Issues:\*\***

1. Whether a valid agreement for CIAC arbitration existed.
2. The applicability of administrative or COA jurisdiction over the payment dispute.
3. Timeliness of the arbitration request.
4. Necessity of exhausting administrative remedies before CIAC arbitration.
5. Entitlement to claimed amounts by Pascual.

**\*\*Court's Decision:\*\***

The Supreme Court denied DPWH's petition, affirming CA and CIAC's decisions. It ruled:

- A valid arbitration agreement existed by incorporation of the bidding documents into the contract.
- CIAC had jurisdiction over the dispute, excluding COA from monetary claims related to construction disputes.
- The request for arbitration was not time-barred as the stipulated 14-day period in the contract was unreasonable.
- Pascual was not required to exhaust administrative remedies due to DPWH's final decision-making capacity at the regional level.

- Pascual was entitled to the remaining balance for the first project but not the second, confirming the CA's modification of CIAC's award.

**\*\*Doctrine:\*\***

The Supreme Court emphasized the principle of liberal interpretation of arbitration clauses, aiming to resolve disputes outside court. It also declared the specified 14-day period for referring disputes as unreasonably short, setting a precedent on the limitation periods in contractual disputes, especially in government contracts.

**\*\*Class Notes:\*\***

1. Arbitration Agreement in Contracts: By reference, certain documents, including bidding documents, form part of a contract, incorporating arbitration clauses.
2. Jurisdiction of CIAC: Exclusive jurisdiction over construction disputes is established through express provision or incorporation by reference.
3. Exhaustion of Administrative Remedies: Not always prerequisite for arbitration, especially when administrative channels offer no further recourse.
4. Reasonable Time for Action: Stipulated periods for initiating dispute resolution must be reasonable and practicable.
5. Prescription Periods: The general 10-year period under the Civil Code for written contracts may apply in the absence of a specific, reasonable period.

**\*\*Historical Context:\*\***

This case reflects the evolving interpretation of arbitration agreements in government contracts and emphasizes the Supreme Court's stance on promoting arbitration as an alternative dispute resolution mechanism. It highlights the need for clear, reasonable timelines for dispute resolution in contracts involving public works, balancing contractors' rights and the government's regulatory powers.