

****Title:****

Bagong Filipinas Overseas Corporation and Golden Star Shipping, Ltd. vs. National Labor Relations Commission, Philippine Overseas Employment Administration, Director Patricia Santo Tomas, and Proserfina Pancho

****Facts:****

1. ****Employment Contract:**** On June 1, 1978, a shipboard employment contract was executed in the Philippines between Guillermo Pancho and Bagong Filipinas Overseas Corporation, the local agent of Golden Star Shipping, Ltd. The contract was approved by the defunct National Seamen Board.
2. ****Terms of Employment:**** Pancho was hired as an oiler on the M/V Olivine for 12 months, with a gross monthly wage of US\$195.
3. ****Health Incident:**** In October 1978, Pancho suffered a cerebral stroke while the vessel was docked in Gothenburg, Sweden. He was hospitalized and subsequently repatriated to the Philippines.
4. ****Death:**** Pancho died on December 13, 1979, after being confined at San Juan de Dios Hospital.
5. ****Initial Award:**** The National Seamen Board awarded Proserfina Pancho, Pancho's widow, P20,000 as disability compensation benefits under the employment contract, and P2,000 as attorney's fees.
6. ****Appeal to NLRC:**** Proserfina Pancho appealed the National Seamen Board's award to the National Labor Relations Commission (NLRC).
7. ****NLRC Decision:**** The NLRC awarded her \$621 times 36 months, or its equivalent in Philippine currency, plus 10% of the benefits as attorney's fees.
8. ****Certiorari:**** Golden Star Shipping contested the NLRC's decision by filing a petition for certiorari, challenging the NLRC's jurisdiction and the application of compensation laws.

****Issues:****

1. ****Applicable Law:**** Whether the compensation for Pancho's death should be governed by the shipboard employment contract or by Hong Kong law on workmen's compensation.
2. ****Jurisdiction and Authority:**** Whether the NLRC exceeded its jurisdiction by modifying the award initially given by the National Seamen Board.
3. ****Interpretation of Contract:**** The proper interpretation of the terms of the employment contract with regard to the beneficiaries' entitlement to death compensation.

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

1. ****Applicable Law:**** The Court held that the shipboard employment contract is controlling

in this case. The contract explicitly stated that the beneficiaries of the seaman are entitled to P20,000 over and above the benefits mandated by Philippine law. Therefore, Hong Kong law on workmen's compensation is not applicable.

2. **Procedural Posture:** The Court reversed the NLRC's decision and upheld the National Seamen Board's original ruling, which awarded Proserfina Pancho P20,000 plus P2,000 as attorney's fees.

3. **Legal Precedent:** The Court clarified that the precedent set in Norse Management Co. vs. National Seamen Board was not applicable because the employment contract in the Norse Management case expressly stipulated the application of either Philippine law or the Workmen's Insurance Law of the country where the vessel is registered, "whichever is greater," which was not the case here.

Doctrine:

1. **Contractual Interpretation:** When an employment contract explicitly specifies the terms of compensation and the applicable law, those terms and conditions will govern, provided they are not contrary to Philippine public policy.

2. **Non-Applicability of Foreign Law:** Foreign law (here, Hong Kong workmen's compensation law) will not apply if the employment contract specifies that Philippine law governs the compensation benefits.

Class Notes:

1. **Key Elements:**

- Employment contracts must be clear and explicit about compensation terms.
- Philippine legal principles govern the interpretation of contracts executed in the Philippines unless explicitly stated otherwise.
- Courts will defer to the employment contract, provided it adheres to public policy and statutory regulations.

2. **Statutory References:**

- Article 1700 of The Labor Code of the Philippines: "The relations between capital and labor are not merely contractual. They are so impressed with public interest that labor contracts must yield to the common good..."
- Section 10, Republic Act No. 8042 (Migrant Workers and Overseas Filipinos Act of 1995): Governs compensation and benefits for overseas Filipino workers.

Historical Background:

- **Context:** The case emerges from a period when many Filipinos sought employment overseas, particularly in the maritime industry. The Philippine government had established

agencies like the National Seamen Board to protect the interests of these workers.

- ****Prevalence of Maritime Employment:**** During the 1970s and 1980s, maritime employment was lucrative yet risky, warranting rigorous contractual agreements and compensation laws to ensure seamen and their beneficiaries were adequately protected.
- ****Legislative Reforms:**** The case highlights the Philippine judiciary's role in interpreting labor contracts during a period of evolving legal standards aimed at safeguarding overseas Filipino workers' rights and welfare.