

**PHILIPPINE AIR LINES EMPLOYEES' ASSOCIATION,
OTHERWISE KNOWN AS PALEA; AS ASSIGNEE OF THE
EMPLOYEES OF THE PHILIPPINES AIR LINES, INC. PLAINTIFF AND
APPELANT, VS. PHILIPPINE AI...**

G.R. No. L-18559. June 30, 1964

Ponente: CONCEPCION, J.

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CONCEPCION, J.:

Appeal, on question of law, from a decision of the Court of First Instance of Manila.

On January 4, 1956, plaintiff Philippine Air Lines Employees' Association—otherwise known as the PALEA—whose members are regular employees of defendant Philippine Air Lines Incorporated—otherwise known as PAL—and the latter entered into a collective bargaining contract effective up to January 1, 1959, stipulating, inter alia, that the regular working hours of said employees shall be on the basis of forty-eight (18) hours a week. Soon after the approval of Republic Act No. 1880, on June 22, 1957, providing that the "legal number of hours of labor", except for "schools, courts, hospitals and health clinics x x x shall be eight (8) hours a day, for five (5) days a week or a total of forty (40) hours a week exclusive of time for lunch", and that said Act "shall also be applicable to all laborers employed in government-owned and controlled corporations", plaintiff made representations with the defendant for the extension, to the members of the former, of the benefits of said Act, upon the theory that the PAL is a government controlled corporation, over 54% of its authorized capital stock being admittedly owned by the National Development Co.—otherwise known as the NDC— which is wholly owned and controlled by the government. As those representations did not meet with the approval of the PAL, which contended that it is not a government owned and controlled corporation, plaintiff began this suit in the Court of First Instance of Manila. on August 7, 1958, and prayed in its complaint, as twice amended, that the PAL be declared a government controlled corporation subject to the provisions of said Act, and to shorten the hours of work for its employees and daily wagers, from 48 to 40 hours a week, from Monday thru Friday, at the rate of eight (8) hours a day, "but, if the exigencies of the service demands, to pay the overtime rates for services rendered or to be rendered beyond the 40 hours a week required by said Republic Act No. 1880", in addition to attorney's fees and costs.

In its answer, defendant admitted the main allegations of fact in the complaint, and averred, by way of affirmative defenses: (1) that it is not a government owned and controlled corporation; (2) that, under its aforementioned collective bargaining agreement with plaintiff, the regular schedule of hours of work of its members shall be on the basis of 48 hours a week and only work performed in excess of eight (8) hours daily from Monday to Saturday and work performed on Sundays and legal holidays shall be compensated for at overtime rates; and (3) that plaintiff's cause of action involves money claims allegedly due its members who have not assigned their rights to plaintiff which is not the proper party in interest to prosecute said money claims. Defendant, likewise, set up a counterclaim for attorney's fees.

Subsequently, plaintiff filed a third amended complaint—admitted over defendant-complaint, that, after the commencement of this action, the PALEA members had assigned to plaintiff their claim and credit against the defendant.

The latter's answer to the third amended complaint reproduced substantially the admissions and allegations made in its answer to the second amended complaint, and alleged, as additional affirmative defenses: (a) that Republic Act No. 1880 is unconstitutional; (b) that, after the expiration of the collective bargaining agreement referred to in its previous answer, the parties had entered into another collective bargaining agreement, effective up to December 31, 1961, stipulating that the regular schedule of working hours of defendant's employees shall be on the basis of forty-eight (48) hours a week and that only work performed in excess of eight (8) hours in any day, from Monday to Saturday, and work performed on Sundays and legal holidays shall be compensated at overtime rates; and (c) that the assignment of right and, cause of action made in favor of the plaintiff by its members is null and void.

In due course, thereafter, the lower court rendered a decision, the dispositive part of which reads:

"FOR THE FOREGOING CONSIDERATIONS, the Court hereby rendered judgment as follows:

1. declaring the defendant, Philippine Air Lines, Inc. otherwise known as 'PAL' as a government-controlled corporation and, therefore, falling within the purview of Republic Act No. 1880, as implemented by Executive Order No. 251, series of 1957;
2. ordering the defendant to comply with the provisions of Republic Act No. 1880 by shortening the hours of work a week for its employees and daily wagers from 48 hours to 40 hours, and from Monday through Friday at the rate of 8 hours of work a day; but if the exigencies of the service demand, it may require the members of the plaintiff union to work beyond 40 hours a week by paying them their basic rate of compensation only, pursuant to Section 4 of the Eight-Hour Labor Law;
3. adjudging the defendant, once this decision has become final, to render a report, within one month from the date of its finality, containing the names of the members of the plaintiff union who have worked on Saturdays beginning July 1, 1957, up to the time defendant has started complying with this decision, and to pay said employees and laborers the compensation due on the Saturdays they have worked thru the plaintiff union on the strength of the deed of assignment; and
4. adjudging the defendant to pay attorney's fees to plaintiff's counsel in the sum of P3,000.00, and costs.

Defendant's counterclaim is dismissed."

Both parties seek a review of said decision upon a joint record on appeal. Defendant maintains that the lower court erred: (1) in assuming jurisdiction over the case; (2) in holding that plaintiff has a valid cause of action against the defendant, in admitting plaintiff's third amended complaint and in not holding that the assignment above referred to is null and void; (3) in holding that Republic Act No. 1880 is constitutional; (4) in holding that defendant is a government controlled corporation; (5) in holding that plaintiff's members are entitled to the benefits of Republic Act No. 1880 and in requiring the defendant to submit a list of plaintiff's members who worked on Saturdays beginning from July 1, 1957, and to pay them the corresponding compensation through plaintiff herein; and (6) in sentencing the defendant to pay attorney's fees. Upon the other hand, plaintiff contends that defendant should be sentenced, also, to pay overtime compensation for work performed on Saturdays by plaintiff's members.

Jurisdiction of the Lower Court

It is urged by defendant that the lower court had no jurisdiction to hear and decide this case, and the cases of PRISCO vs. CIR, G.R. No. L-13806 (May 23, 1960); Philippine Food vs. CIR, G.R. No. L-15376 (June 30, 1961); Sanchez vs. Clarete., G.R. No. L-16736 (June 30, 1961); Fookien Times vs. CIR, G.R. No. L-16025 (March 27, 1961); PanAm vs. PanAm, G.R. No. L-16275 (February 23, 1961); New Angat vs. Cir, G.R. No. L-16283 (December 27, 1960); Ajax vs. Seguritan, G.R. No. L-16038 (October 25, 1960); Sampaguita vs. CIR, G.R. No. L-16404 (October 25, 1960); Sta. Cecilia vs. CIR, G.R. No. L-14254-55 (May 27, 1960); Board of Liquidators vs. CIR, G.R. No. L-15485 (May 23, 1960), are cited in support of this view. It is true that in PRISCO vs. CIR, (supra) we held that, "where the employer-employee relationship is still existing * * * the Court of Industrial Relations has jurisdiction over all claims arising out of or in connection with the employment, such as the "Minimum Wage Law and Eight-Hour Labor Law". This notwithstanding, the aforementioned cases are not decisive in favor of defendant's pretense, for:

1. The main issue in this case is the applicability of Republic Act No. 1880 to the defendant. The latter maintained that it is not subject to the provisions of said Act merely upon the theory that it is not a government controlled corporation which plaintiff asserts it is. Thus, the only bone of contention, when this case was initiated, was whether or not the defendant is a government controlled corporation, within the purview of Republic Act No. 1880. Obviously, the determination of such issue is within the jurisdiction of courts of first instance.

2. The question whether plaintiff's members are entitled to overtime compensation under the provisions of the Eight-Hour Law (Commonwealth Act No. 444), for services rendered on Saturdays, in excess of 40 hours a week, merely an incident of said main issue, and only if the latter were decided in the affirmative. Such incident did not have the effect of depriving the lower court of its jurisdiction over the case. Neither did it have the effect of vesting in the Court of Industrial Relations the exclusive jurisdiction to pass upon said main issue. Needless to say, the interest of justice is against the splitting of the causes of action between the parties herein, arising from the same facts.

3. Although defendant did not agree with the plaintiff on the applicability of Republic Act No. 1880 to the former, the record indicates that there was between them a mere honest difference of opinion which did not mark their harmonious relations. Hence, the present case was, in effect, more in the nature of an action for a declaratory judgment to settle the aforementioned non-hostile, if not, friendly divergence of opinion on the main issue. There had been no threat of strike on the account thereof. What is more, plaintiff's members declared that they would not strike during the pendency of this case. In fact, after the expiration of the collective bargaining contract which was in force at the time of the commencement of this action, or on April 1, 1959, plaintiff entered into another collective bargaining contract with the defendant, effective from January 1, 1959 to December 31, 1961. Unlike the cases of Manila Port Terminal vs. CIR, G.R. No. L-16994 (June 30, 1961) and Manila Railroad Co. vs. CIR, G.R. Nos. L-17871, 18160, 18200 and 18249 (January 31, 1964), in which we upheld the jurisdiction of the Court of Industrial Relations because the dispute was likely to cause a strike or had actually caused a strike, no such danger has existed in this case and, consequently, there is no reason why should be within the exclusive competence of said Court. In fact, defendant alleged in its aforementioned answer that "the present action is a money claim" and did not contest in the lower court its jurisdiction to entertain it.

4. It is well settled that:

"A grant of jurisdiction implies the necessary and usual incidental powers essential to effectuate it, and every regular constituted court has power to do all things reasonably necessary for the administration of justice within the scope of its jurisdiction, and for the enforcement of its judgments and mandates, even though the court may thus be called upon to decide matters which would not be within its cognizance as original causes of action.

"While a court may be expressly granted the incidental powers necessary to effectuate its jurisdiction, a grant of jurisdiction in the absence of prohibitive legislation implies the necessary and usual incidental powers essential to effectuate it (In re: Stinger's Estate, 201 P. 693), and, subject to existing laws and constitutional provisions, every regularly constituted court has the power to do all things that are reasonably necessary for the administration of justice within the scope of its jurisdiction, and for the enforcement of its judgments and mandates. So, demands, matters or questions ancillary or incidental to, or growing out of, main action, and coming; within the above principles, may be taken cognizance of by the court and determined, since such jurisdiction is in aid of its authority over the principal matter, even though the court may thus be called on to consider and decide matters which, as original causes of action, would not be within its cognizance (Bartolome vs, Shipe, 251 S.VV. 1031)." (21 C. J. S., pp. 13(M38.)

Thus, in Gomez vs. North Camarines Lumber Co., G.R. No. L-11945, August 18, 1958, and Serrano vs. Serrano, G.R. No. L-19545, May 23, 1964, we held that the court having jurisdiction over the main cause of action, may grant the reliefs incidental thereto, even if they would, otherwise, be outside its competence. Similarly;

"When in an action for forcible entry or detainer there is a claim for rentals, the amount of these rentals is immaterial to the jurisdiction of the Court, for it is merely an incident to the principal action. When, however, the action is exclusively for rentals, the amount thereof furnishes the test of jurisdiction (Boga vs. Vecina, 11 Phil., 409; Hahn vs. Tuazon, 72 Phil. 53; Tenorio vs. Gomba, 81 Phil. C17; Baguiro vs. Barrios, 17 Phil. 120)". (Moran, Comments on the Rules of Court, 1963 ed., Vol. 1, p.54.)

Accordingly, defendant's objection to the jurisdiction of the lower court is hereby overruled.

Plaintiff's Cause of Action

Defendant assails plaintiff's cause of action, upon the theory that the assignment of right and cause of action made in favor of the plaintiff by its members took place after the institution of this case and that said assignment is null and void. As above stated, the main issue in this case is whether defendant is a government controlled corporation under the provisions of Republic Act No. 1880, and it is obvious that, regardless of and even without said assignment, the plaintiff as a legitimate and registered labor organization, may bring this action for the extension of the benefits of this Act to its member (Brown vs. Strocchel, 74 Mich. 269, 41 NW 921, 3 LRA 430). The possible collection by them of additional compensation is merely a possible incident of said main issue if decided in their favor.

Constitutionality of Section 3 of Republic Act No. 1880.

Pursuant to said Section 3 of same Act, the provisions of its Section 1—to the effect that the legal hours of labor "shall be eight (8) hours a day, for five (5) days a week, or total of forty (-10) hours a week"—and 2—fixing the legal hours of labor "during the hot season" "shall also be applicable to all laborers employed in government-owned and controlled corporations."

Defendant asserts that the subject matter of said Section 3 is not embraced in the title of Republic Act No. 1880, reading: "An Act to Amend the Second Paragraph of Section Five Hundred and Sixty-two and Section Five Hundred and Sixty-Four of the Revised Administrative Code (Re legal hours of labor—minimum requirement)", because said sections are found in Book II, Title VI, Chapter 25 of the Revised Administrative Code, which are captioned as follows:

"Book II.—ORGANIZATION AND ADMINISTRATION OF BUREAUS

Title VI.—BUREAU ORGANIZATION IN GENERAL

Chapter 25

PROVISIONS COMMON TO VARIOUS BUREAUS AND OFFICES "

It is well settled, however, that the constitutional injunction that "no bill which may be enacted into law shall embrace more than one subject which shall be expressed in the title of the bill", does not require said title to be an index of the contents of the bill and that it is enough that its provisions be germane or related to the subject expressed in the title (*People vs. Carlos*, 78 Phil., 535; 11 Off. Gaz., 4281; *Government vs. Hongkong & Shanghai Bank*, 66 Phil., 483; *Sumulong vs. Commission on Elections*, 73 Phil. 288). Inasmuch as the title of Republic Act No. 1880 mentions Section 562 of the Revised Administrative Code, which provides that "the chiefs of bureau and office in every branch of the government service shall require all employees, of whatever grade or class, not less than the legal number of hours of labor" therein prescribed, it is clear to us that service in government-owned and controlled corporations is related to the subject of said Section 562 and to that set forth in the title of Republic Act No. 1880.

Is the PAL a Government Controlled Corporation?

The lower court answered this question in the affirmative considering that over 54% of the shares of stock of the PAL belong to the NDC, which, in turn, is wholly owned by the government, so that the latter has sufficient votes to elect, and has, in fact, been electing six (6) of the eleven (11) members of PAL's Board of Directors; that the voting power pertaining to said shares of stock of the PAL owned by the NDC is exercised by the Administrator of Economic Coordination; that the latter has classified the PAL as a government controlled corporation, which, is such, shares in the cost of the operation and maintenance of the Office of the Economic Coordination; that the Secretary of Justice ruled in Opinion No. 312, series of 1954, that the PAL is a government controlled corporation; that the Executive Secretary and the Postmaster General have so classified the PAL; that the NDC's general manager, likewise, so considers the PAL; that on March 23, 1950, the Council of State exempted the PAL from the payment of take-off fees, landing fees, parking fees, royalties on gasoline, and customs duties and other taxes on all PAL importations of machines, propellers and spare parts; that Republic Act No. 2232 has appropriated P23,500,000 to enable PAL to purchase and operate jet planes for its projected international flights, chargeable against the appropriation of the Bureau of Post for future carriage of international mail; that, upon the passage of Republic Act No. 2266—extending the jurisdiction of the Auditor General to the majority of the shares of stock of which is owned by government-owned or controlled corporations—the Auditor General has demanded compliance with the provisions of said Act by the PAL; and that, although the shares of stock held by the government in the PAL are not enough to effect changes in the organizational or fundamental structure of the corporation for which the Corporation Law requires the votes representing 2/3 of the shares of stock outstanding and entitled to vote—they are sufficient to control the regular operations and management thereof. We are not prepared to disturb the aforementioned conclusion of His Honor, the trial Judge. Although the Opinion of the Secretary of Justice relied upon in the decision appealed from was reversed in a subsequent opinion of said official, we note that the same refers to Commonwealth Act No. 186, as amended, and, hence, does not have much weight as regards to the construction of Republic Act No. 1880. Neither is the circumstance that the Civil Service Law has not been actually applied to the PAL. More decisive is the fact that Republic Act No. 1880 reflects a humanitarian policy of the government aimed at the protection and promotion of the health of laborers, workers and employees. It is only logical that such policy be controlled not only in bureaus, offices or agencies of the government performing purely political functions, but, also, in corporation either owned or controlled by the government. Indeed, what is not sufficiently enlightened and humane as regards the treatment accorded to persons discharging sovereign functions cannot be otherwise with respect to those engaged in corporate or proprietary

functions. Moreover, when a corporation is owned or controlled by the government, it is only natural that the latter's policy be binding upon the management of such corporation. In any event, in *Cervantes vs. Auditor General* (91 Phil., 359), we held that "there can be no question that the NAFCO"—51% (S.19% less than the amount of shares of the PAL owned by the (NDC) of the capital stock of which was subscribed by the national government—"is a government controlled corporation."

Are the working hours of PAL employees governed by their collective bargaining agreement with plaintiff or by Republic Act No. 1880?

Defendant insists that the collective bargaining agreement controls, because the same provides that the regular working hours of its employees shall be on the basis of 48 hours a week, and this stipulation does not conflict with Republic Act No. 1880 which fixes the minimum, not the maximum number of hours of work a week. The argument is specious, because the issue between the parties is not whether PAL employees may be required to work 48 hours a week. Plaintiff admits that its members may be so required, and they are willing to render said work. The issue is whether, since July 1, 1957, they are entitled to their basic pay by rendering service for merely 40 hours a week and should, accordingly, be given additional compensation for work done on Saturdays, in excess of 40 hours a week. In this respect, said agreement is inconsistent with Republic Act No. 1889, because the former resolves the issue in the negative, whereas Republic Act No. 1880 explicitly ordains that there shall be "no diminution" in the compensation of workers "on account of the reduction" in the number of days or hours of work in a week pursuant to the provisions of said Act.

It being obvious that the same has been passed in the exercise of the police power of the state, the validity of which is not impugned by the defendant, and that it must prevail over the provisions of the aforementioned agreement, insofar as inconsistent therewith, it follows that the lower court did not err in finding that defendant is subject to the provisions of Republic Act No. 1880 and in requiring the submission of a list of workers who had, since July 1, 1957, rendered services on Saturdays, in excess of 40 hours a week, for payment of the corresponding additional compensation. Indeed, we have held, under conditions substantially analogous to those obtaining in the case at bar, that Republic Act No. 1880 applies to the Manila Port Service (*Manila Port Service vs. CIR*, G.R. No. L-16994, June 30, 1961) and the Manila Railroad Co. (*Manila Railroad Co. vs. CIR*, G.R. Nos. 17871, 18100, 18200 and 18249, January 31, 1964).

What shall be the rate of the additional compensation due for services rendered on Saturdays, in excess of 40 hours a week?

Plaintiff contends that for such services, its members are entitled to twice their pay at the basic rate, plus the 25% overtime compensation prescribed in Commonwealth Act No. 444. The case of the *Manila Hotel Co. vs. Manila Hotel Employees Association*, G.R. No. L-9190 (November 28, 1960), cited in support of this contention, is not in point. That case refers to employees who, under their collective bargaining contract, had a right to one off-day a week with full compensation at the basic rate. Accordingly, when required to work on such day, they were entitled, in addition to such basic pay, to the regular pay for the work on that day, plus a 25% for overtime under Commonwealth Act No. 444. No stipulation analogous to the one adverted to above exists between the parties in the case at bar.

Upon the other hand, we are not concerned with work rendered on Sundays and regular legal holidays, for, admittedly, the collective bargaining agreement between the parties herein stipulated therefor the payment of compensation at overtime rates. The issue before us refers to work on Saturdays, in excess of the 40-hour-a-week provision of Republic Act No. 1880. Inasmuch as Section 4 of Commonwealth Act No. 144 explicitly authorizes public utilities performing some public service—such as, among others, providing transportation (to which class

defendant admittedly belongs)—to require its employees or laborers to work on Sundays and legal holidays without paying them the overtime rates, it is obvious that the lower court was justified in fixing the compensation due to PAL employees for services rendered on Saturdays, not exceeding eight (8) hours at the basic rates (*Manila Electric Co. vs. Public Utilities Employees Association*, 79 Phil. 409, 115; *Railroad Co. vs. CIR*, *supra*).

Wherefore, the decision appealed from is hereby without special pronouncement as to the costs in this instance. It is so ordered.

Bengzon, C.J., Padilla, Bautista Angelo, Labrador, Reyes. J. B. L., Paredes, Regala and Makalintal, JJ., concur.

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