

**PHILIPPINE AIR LINES EMPLOYEES' ASSOCIATION, AS
ASSIGNEE OF THE RIGHTS AND CAUSES OF ACTION OF THE
EMPLOYEES OF THE PHILIPPINE AIR LINES, INC., PETITIONER, VS.
THE COURT OF FIRS...**

G.R. No. L-41966. January 08, 1987

Ponente: PARAS, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/6764d323b0bf/>

PARAS, J.:

The principal issue in this petition (submitted for decision in Our Resolution dated February 7, 1977) is whether or not the Philippine Air Lines (PAL) was a government controlled corporation from 1957 to September 7, 1964. If so, the petitioner's assignors (employees of the corporation) would be given the rights of government employees as members of the Government Service Insurance System (GSIS); if not, the PAL would be regarded as a private corporation and its employees would be members of the Social Security System (SSS).

The pertinent undisputed facts indicate that PAL was originally organized under the Corporation Law as a private corporation formed for profit; that in 1949 the National Development Corporation (NDC), a government owned and controlled corporation acquired 55% of PAL's capital stock; that on October 25, 1955, the then Department of Justice rendered an opinion declaring PAL NOT to be a government controlled corporation[1] within the purview of Commonwealth Act No. 186; that PAL was then ordered to be a member of the SSS; that PAL paid its contributions (as employer) to the SSS from September, 1957 to September 7, 1964; that its employees likewise paid their contributions for the same period to the SSS, that all the while PAL and its employees entered into collective bargaining agreements with each other; that during this period the PAL employees also enjoyed sickness, disability, retirement and death benefits from the SSS, including salary, educational, and housing loans.

In 1968 PAL's employees demanded from PAL and the GSIS payment of sick and vacation leave benefits pursuant to the provisions of Commonwealth Act No. 186, (benefits accruing from September 1957 to September 7, 1964) on the ground that PAL was covered by CA No. 186; that both PAL and the GSIS virtually refused to accede to the demand, prompting petitioner (as assignee of the PAL employees) to sue in the Court of First Instance. In view of an adverse judgment against it, petitioner elevated the case before this Court.

We find the petition devoid of merit. While it is true that in the case of Philippine Air Lines Employees Association v. Philippine Air Lines, Inc., (11 SCRA 387, 396-397), We ruled that PAL is/was a government controlled corporation, this was only for the purpose indicated in R.A. 1880. For the instant case however, and considering the circumstances attendant thereto, it is clear that PAL is not a government controlled corporation within the contemplation of R.A. 186. Be it noted that PAL during the covered years was a member of the SSS and its employees were recipients of SSS benefits. For petitioners to now claim additional or similar benefits from the GSIS would be rather inequitable.

WHEREFORE, this petition is hereby DISMISSED for lack of merit, and the appealed decision is hereby AFFIRMED.

SO ORDERED.

Feria, (Chairman), Fernan, Alampay, and Gutierrez, Jr., JJ., concur.

[1] The Opinion reads —

"x x x, the conclusion seems inescapable that the terms 'corporation controlled by the Government' used in Republic Act. No. 660 refer only to such corporate bodies falling under the category of those mentioned above over which the Government exercises directly or indirectly almost absolute control thru the ownership of substantially all of their capital stock. Corporations like the PAL, in which the Government owns a simple majority of their capital stock as an ordinary stockholder are not embraced by that term and therefore beyond the purview of the Act.

It is pertinent to call attention to the fact that under the Corporation Law (Act No. 1459, as amended), the affirmative vote of two-thirds of the voting stock or of the subscribed capital stock of a corporation is necessary for the exercise of certain corporate acts, such as the investment of its funds in another corporation or business (Sec. 17-1/2), amendment of the articles of incorporation (Sec. 18), disposal of all or removal of directors (Sec. 34), and dissolution of the corporation (Sec. 62). In all these cases, the 53% interest of the Government in the PAL obviously falls short of that majority necessary to control the said corporation." (Record on Appeal, pp. 224-226).

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.