EMELITA LEONARDO, CONRADO BARGAMENTO, EMELITA NUÑEZ, RODOLFO GRABAN, AND ROBERTO GRABAN, PETITIONERS, VS. COURT OF APPEALS AND DIGITAL TELECOMMUNICATIONS PHILIPPINES, INC., RESP...

G.R. NO. 152459. June 15, 2006

Ponente: CARPIO, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-152459/

CARPIO, J.:

The Case

Before the Court is a petition for review assailing the 29 June 2001 Decision[1] and 20 February 2002 Resolution[2] of the Court of Appeals in CA-G.R. SP No. 51160. The Court of Appeals set aside the Decision of the National Labor Relations Commission (NLRC) which sustained the Labor Arbiter's Decision holding Digital Telecommunications Philippines, Inc. (DIGITEL) jointly and severally liable with Balagtas Telephone Company (BALTEL) and its proprietor Domingo de Asis.[3]

The Antecedent Facts

BALTEL holds the franchise from the Municipality of Balagtas, Bulacan to operate a telephone service in the municipality. BALTEL also has authority from the National Telecommunications Commission (NTC) to operate in the municipality.

BALTEL hired Emelita Leonardo, Conrado Bargamento, Emelita Nuñez, Rodolfo Graban, and Roberto Graban ("petitioners") for various positions[4] in the company. On 22 April 1991,[5] BALTEL[6] and DIGITEL entered into a management contract.[7] Under the terms of the contract, DIGITEL was to provide personnel, consultancy and technical expertise in the management, administration, and operation of BALTEL's telephone service in Balagtas, Bulacan. DIGITEL also undertook to improve the internal and external plants of BALTEL's telephone system and to handle customer relations and such other matters necessary for the efficient management and operation of the telephone system.

In a letter[8] dated 27 January 1994, BALTEL informed the NTC that it would cease to operate effective 28 February 1994 because it was no longer in a financial position to continue its operations. On 17 February 1994, BALTEL assigned to DIGITEL its buildings and other improvements on a parcel of land in Balagtas, Bulacan covered by OCT No. O-7280 where BALTEL conducted its business operations. The assignment was in partial payment of BALTEL's obligation to DIGITEL which as of 31 December 1993 amounted to P712,471.74.

On 28 February 1994, petitioners' employment ceased. They executed separate, undated and similarly worded quitclaims acknowledging receipt of various amounts representing their claims from BALTEL. In their quitclaims, petitioners absolved and released BALTEL from all monetary claims that arose out of their employer-employee relationship with the company. Petitioners also acknowledged that BALTEL closed its operations due to serious business losses.

On 1 March 1994, petitioners filed a complaint against BALTEL and Domingo De Asis for recovery of salary differential and attorney's fees. Petitioners later filed a supplemental complaint to include illegal dismissal as additional cause of action and to implead DIGITEL as additional respondent. DIGITEL denied having any liability on the ground that it was not petitioners' employer. In its 29 May 1995 Decision,[9] Labor Arbiter Dominador B. Saludares ruled as follows:

> WHEREFORE, premises considered, judgment is hereby entered in favor of the complainants and against respondents Balagtas Telephone System and/or Domingo de Asis and Digital Telecommunications Phils., Inc. ordering the latter, jointly and severally as follows:
>
> - To pay the sum of P14,950.00 representing the unpaid salaries of all the five (5) complainants for the month of February 1994;
>
> - To pay another sum of P4,486.44 representing the unpaid overtime pay of complainants Emelita Leonardo, Conrado Bargamento and Emelita Nuñez for February 1994;
>
> - To pay the sum of P71,400.00 as salary differential of the complainants;
>
> - To pay the backwages of all complainants from the date they were dismissed on February 28, 1994 up to this writing computed in the sum total of P224,250.00, less their separation pay which they have received;
>
> - To pay the sum of P31,508.64 as attorney's fees which is equivalent to ten (10%) percent of the amount of the award; and
>
> - To immediately reinstate all the complainants to their former or equivalent positions under the same terms and conditions prevailing prior to their dismissal or separation including payment of their prevailing basic salaries and all other benefits or at the option of the employer merely reinstate in the payroll also with the payment of their salaries and all other benefits in accordance with Article 223 of the Labor Code, as amended by R.A. No. 6715. Respondents are further ordered to submit upon receipt hereof their compliance with the reinstatement aspect.
>
> SO DECIDED.[10]

DIGITEL appealed the Labor Arbiter's Decision before the NLRC. In its 29 December 1997 Decision,[11] the NLRC dismissed the appeal. DIGITEL moved for the reconsideration of the NLRC Decision. In its 29 July 1998 Decision,[12] the NLRC denied DIGITEL's motion for reconsideration.

DIGITEL filed a petition for review before this Court. In its 2 December 1998 Resolution, this Court referred the case to the Court of Appeals pursuant to St. Martin Funeral Homes v. NLRC.[13]

The Ruling of the Court of Appeals

In its 29 June 2001 Decision, the Court of Appeals reversed and set aside the NLRC Decision insofar as it held DIGITEL severally liable with BALTEL and Domingo de Asis. The Court of Appeals ruled that DIGITEL is not the successor-in-interest of BALTEL. The Court of Appeals held that the records do not show that DIGITEL became the absolute owner of BALTEL, or that DIGITEL absorbed BALTEL's employees. The Court of Appeals further ruled that there was no showing that DIGITEL acquired BALTEL's franchise. The Court of Appeals ruled:

> WHEREFORE, the petition is GRANTED. The assailed decision of the National Labor Relations Commission is ANNULLED and SET ASIDE insofar as it held petitioner jointly and severally liable with Balagtas Telephone Company and Domingo de Asis for the obligations of the two to private respondents, with the result that private respondents' complaint against petitioner before the labor arbiter is DISMISSED.
>
> SO ORDERED.[14]

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

Petitioners moved for the reconsideration of the Court of Appeals' Decision. In its 20 February 2002 Resolution, the Court of Appeals denied petitioners' motion for reconsideration for lack of merit.

Hence, the petition before this Court.

Petitioners allege that the Court of Appeals erred in disregarding the factual findings of both the Labor Arbiter and the NLRC which should have been given more weight by appellate tribunals.

The Issues

The petition raises the following issues:

- Whether DIGITEL is the successor-in-interest of BALTEL; and

- Whether an employer-employee relationship exists between petitioners and DIGITEL.

The Ruling of This Court

The petition has no merit.

The Court of Appeals has the power to review the decisions of the NLRC and to pass upon factual issues raised by the parties. In R & E Transport, Inc. v. Latag,[15] this Court held:

> The power of the CA to review NLRC decisions via a Rule 65 petition is now a settled issue. As early as St. Martin Funeral Homes v. NLRC, we have definitively ruled that the proper remedy to ask for the review of a decision of the NLRC is a special civil action for certiorari under Rule 65 of the Rules of Court, and that such petition should be filed with the CA in strict observance of the doctrine on the hierarchy of courts. Moreover, it has already been explained that under Section 9 of Batas Pambansa (BP) 129, as amended by Republic Act 7902, the CA - pursuant to the exercise of its original jurisdiction over petitions for certiorari - was specifically given the power to pass upon the evidence, if and when necessary, to resolve factual issues.

We agree with petitioners that factual findings of quasi-judicial and administrative bodies are accorded great respect and even finality by the courts. However, this rule is not absolute. When there is a showing that the factual findings of administrative bodies were arrived at arbitrarily or in disregard of the evidence on record, they may be examined by the courts.[16] In this case, the Court of Appeals found "nothing in the records [to support] the conclusion that DIGITEL became the 'absolute owner' of BALTEL or that the former 'absorbed' the latter's employees." Hence, the Court of Appeals is justified in reviewing the factual findings of both the Labor Arbiter and the NLRC.

DIGITEL is not BALTEL's Successor-in-Interest

Petitioners allege that DIGITEL took over the ownership of BALTEL, and as the new owner, DIGITEL then absorbed petitioners as employees.

The Court of Appeals correctly held that DIGITEL is not BALTEL's successor-in-interest.

It is not disputed that BALTEL has the franchise to operate a telephone system in Balagtas, Bulacan. It is also not disputed that on 21 April 1991, BALTEL and DIGITEL entered into a management contract which:

> - Appoints and contracts Digital Telecommunications Philippines, Inc. (Digitel for short), a corporation organized and existing under the laws of the Philippines, to provide personnel, consultancy and technical expertise in the management, administration and operation of the telephone service/system in Balagtas, Bulacan; to improve the internal and external plants of such system, provided that any improvement, whether by addition or replacement, shall belong to Digitel unless such improvement(s) is fully reimbursed; to handle customer relations and such other matters necessary for the efficient management and operation of said

telephone service/system.

- Subject to paragraph B, defines the terms of this Appointment and Agreement to one (1) year from date hereof unless renewed for another term at the option of Digitel.

- Agrees to reimburse Digitel for all expenses incurred in the performance of its aforesaid services provided that such expenses do not exceed the net operating cash revenues of said telephone service/system unless otherwise mutually agreed upon by the herein parties in writing.

- Grants Digitel the right of first option to buy the franchise and the telephone system, provided that the purchase shall be subject to the prior approval of the Municipal Council of Balagtas, Bulacan, the NTC and the DOTC. For this purpose, Digitel shall remit to Estela de Asis as attorney-in-fact of Domingo de Asis the amount of P415,000.00, as option money, which shall be deducted from a mutually agreed purchase price in the event Digitel exercises the option by written notice to Estela or Domingo de Asis within 180 days from date hereof. In the event there is no agreement on the purchase price, then such price shall be the net asset value (original cost less depreciation) of all the serviceable equipment as of the date hereof.[17]

The contract gives DIGITEL the option to buy BALTEL's franchise. However, the records do not show that DIGITEL exercised the option. Petitioners failed to show that DIGITEL eventually purchased BALTEL's franchise and telephone system. The Court also notes that the purchase shall be subject to the prior approval of the Municipal Council of Balagtas, Bulacan, the NTC and the Department of Transportation and Communications (DOTC). The records do not show that DIGITEL sought the approval of the Municipal Council of Balagtas, Bulacan, the NTC or the DOTC to purchase BALTEL's franchise. When BALTEL eventually discontinued its operations, Estela de Asis informed the NTC of the cessation of its operations.

On DIGITEL's continued operations in Balagtas, Bulacan, we adopt the findings of the Court of Appeals that it is pursuant to a Financial Lease Agreement[18] entered into by DOTC and DIGITEL. Under the Financial Lease Agreement, the DOTC grants DIGITEL the exclusive right to lease, operate, and develop DOTC's local exchange facilities and to perform the telecommunications services in the cities or municipalities covered by the Financial Lease Agreement. Under Project NTP I-1,[19] Balagtas, Bulacan is among the municipalities covered by the Financial Lease Agreement.

There is No Employer-Employee Relationship

Between DIGITEL and Petitioners

To determine the existence of an employer-employee relationship, the Court has to resolve who has the power to select the employees, who pays for their wages, who has the power to dismiss them, and who exercises control in the methods and the results by which the work is accomplished.[20] The most important element of an employer-employee relationship is the control test. Under the control test, there is an employer-employee relationship when the person for whom the services are performed reserves the right to control not only the end achieved but also the manner and means used to achieve that end.[21]

In this case, DIGITEL undoubtedly has the power of control. However, DIGITEL's exercise of the power of control necessarily flows from the exercise of its responsibilities under the management contract which includes providing for personnel, consultancy and technical expertise in the management, administration, and operation of the telephone system. Thus, the control test has no application in this case.

The Court notes that DIGITEL did not hire petitioners. BALTEL had already employed petitioners when BALTEL entered into the management contract with DIGITEL. We also agree with the Court of Appeals that the fact that DIGITEL uses its payslips does not necessarily imply that DIGITEL pays petitioners' salaries. As pointed

out by the Court of Appeals, DIGITEL introduced its own financial and accounting systems to BALTEL and it included the use of DIGITEL's payslips for accounting purposes. The management contract provides that BALTEL shall reimburse DIGITEL for all expenses incurred in the performance of its services and this includes reimbursement of whatever amount DIGITEL paid or advanced to BALTEL's employees.

Finally, DIGITEL has no power to dismiss BALTEL's employees. When DIGITEL wanted to dismiss Roberto Graban for habitual tardiness, BALTEL did not approve DIGITEL's recommendation. In the end, Roberto Graban was just suspended from work.

In sum, no employer-employee relationship exists between petitioners and DIGITEL. Hence, DIGITEL is not solidarily liable with BALTEL and Domingo de Asis to petitioners.

WHEREFORE, we DENY the petition. We AFFIRM the 29 June 2001 Decision and 20 February 2002 Resolution of the Court of Appeals in CA-G.R. SP No. 51160.

SO ORDERED.

Quisumbing, (Chairperson), Carpio Morales, Tinga, and Velasco, Jr., JJ., concur.

---

[1] Penned by Associate Justice Edgardo P. Cruz with Associate Justices Ramon Mabutas, Jr. and Roberto A. Barrios, concurring. Rollo, pp. 315-324.[2] Penned by Associate Justice Edgardo P. Cruz with Associate Justices Delilah Vidallon Magtolis and Roberto A. Barrios, concurring. Id. at 34.[3] Also referred to as Domingo Asis.

[4] Emelita Leonardo was hired in 1988 as telephone operator; Conrado Bargamento was hired in 1977 as collector; Emelita Nuñez was hired in 1984 as telephone operator; Rodolfo Graban was hired in 1971 as telephone lineman and Roberto Graban was hired in 1990 as telephone lineman. Rollo, pp. 315-316.[5] 21 April 1991 in the Decision of the Court of Appeals.[6] The agreement was signed by Estela L. de Asis, attorney-in-fact of Domingo de Asis who owns the franchise to operate the telephone system.[7] Denominated as "Appointment and Agreement."[8] Signed by Estela de Asis. Rollo, p. 107.[9] Id. at 69-81.[10] Id. at 79-81.[11] Penned by Commissioner Vicente S.E. Veloso with Commissioner Alberto R. Quimpo, concurring. CA rollo, pp. 16-22.[12] Penned by Commissioner Vicente S.E. Veloso with Commissioners Rogelio L. Rayala and Alberto R. Quimpo, concurring. Id. at 24-26.[13] 356 Phil. 811 (1998).[14] Rollo, pp. 323-324.[15] G.R. No. 155214, 13 February 2004, 422 SCRA 698, at 703-704.[16] Id.[17] Rollo, pp. 92-93.[18] Id. at 287-309.[19] Id. at 313.[20] Miguel v. JCT Group, Inc., G.R. No. 157752, 16 March 2005, 453 SCRA 529.[21] Abante, Jr. v. Lamadrid Bearing & Parts Corporation, G.R. No. 159890, 28 May 2004, 430 SCRA 368.

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

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.