PUBLIC HEARING COMMITTEE OF THE LAGUNA LAKE DEVELOPMENT AUTHORITY AND HON. GENERAL MANAGER CALIXTO CATAQUIZ, PETITIONERS, VS. SM PRIME HOLDINGS, INC. (IN ITS CAPACITY AS OPERATO...

G.R. No. 170599. September 22, 2010

Ponente: PERALTA, J.

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PERALTA, J.:

Assailed in the present petition for review on certiorari are the Decision[1] and Resolution[2] of the Court of Appeals (CA) dated June 28, 2004 and November 23, 2005, respectively, in CA-G.R. SP No. 79192. The CA Decision reversed and set aside the Orders[3] dated October 2, 2002, January 10, 2003 and May 27, 2003 of petitioner Public Hearing Committee of the Laguna Lake Development Authority (LLDA), in LLDA Case No. PH-02-03-076, while the CA Resolution denied petitioners' Motion for Reconsideration.

The instant petition arose from an inspection conducted on February 4, 2002 by the Pollution Control Division of the LLDA of the wastewater collected from herein respondent's SM City Manila branch. The results of the laboratory tests showed that the sample collected from the said facility failed to conform with the effluent standards for inland water imposed in accordance with law.[4]

On March 12, 2002, the LLDA informed SM City Manila of its violation, directing the same to perform corrective measures to abate or control the pollution caused by the said company and ordering the latter to pay a penalty of "One Thousand Pesos (P1,000.00) per day of discharging pollutive wastewater to be computed from 4 February 2002, the date of inspection, until full cessation of discharging pollutive wastewater."[5]

In a letter[6] dated March 23, 2002, respondent's Pollution Control Officer requested the LLDA to conduct a re-sampling of their effluent, claiming that they already took measures to enable their sewage treatment plant to meet the standards set forth by the LLDA.

In an Order to Pay[7] dated October 2, 2002, herein petitioner required respondent to pay a fine of Fifty Thousand Pesos (P50,000.00) which represents the accumulated daily penalty computed from February 4, 2002 until March 25, 2002.

In two follow-up letters dated July 2, 2002[8] and November 29, 2002,[9] which were treated by the LLDA as a motion for reconsideration, respondent asked for a waiver of the fine assessed by the LLDA in its March 12, 2002 Notice of Violation and Order of October 2, 2002 on the ground that they immediately undertook corrective measures and that the pH levels of its effluent were already controlled even prior to their request for re-sampling leading to a minimal damage to the environment. Respondent also contended that it is a responsible operator of malls and department stores and that it was the first time that the wastewater discharge of SM City Manila failed to meet the standards of law with respect to inland water.

On January 10, 2003, the LLDA issued an Order[10] denying respondent's request for a waiver of the fine

imposed on the latter.

On April 21, 2003, respondent submitted another letter[11] to the LLDA requesting for reconsideration of its Order dated January 10, 2003.

On May 27, 2003, the LLDA issued another Order to Pay[12] denying respondent's request for reconsideration and requiring payment of the fine within ten days from respondent's receipt of a copy of the said Order.

Aggrieved, respondent filed a petition for certiorari with the CA praying for the nullification of the Orders of the LLDA dated October 2, 2002, January 10, 2003 and May 27, 2003.

On June 28, 2004, the CA rendered its Decision granting the petition of herein respondent and reversing and setting aside the assailed Orders of the LLDA. Ruling that an administrative agency's power to impose fines should be expressly granted and may not be implied, the CA found that under its charter, Republic Act No. 4850[13] (RA 4850), the LLDA is not expressly granted any power or authority to impose fines for violations of effluent standards set by law. Thus, the CA held that the assailed Orders of petitioner, which imposed a fine on respondent, are issued without jurisdiction and with grave abuse of discretion.

Petitioner filed a Motion for Reconsideration, but the same was denied by the CA via its Resolution dated November 23, 2005.

Hence, the instant petition based on the following grounds:

> 5.1. THE COURT OF APPEALS ERRED IN FINDING THAT THE PETITION CANNOT BE DISMISSED FOR FAILURE TO EXHAUST ADMINISTRATIVE REMEDIES, BY WAY OF EXCEPTION TO THE GENERAL RULE.
>
> 5.2. THE COURT OF APPEALS ERRED WHEN IT TOOK COGNIZANCE OF THE PETITION OF SM PRIME.
>
> 5.3. THE COURT OF APPEALS ERRED IN RULING THAT THE LLDA WAS NOT CONFERRED BY LAW THE POWER TO IMPOSE FINES AND, THEREFORE, CANNOT COLLECT THE SAME FROM SM PRIME HOLDINGS, INC.[14]

In their first assigned error, petitioners contend that the petition for certiorari filed by respondent with the CA is premature. Petitioners argue that respondent did not raise purely legal questions in its petition, but also brought to the fore factual issues which were properly within the province of the Department of Environment and Natural Resources (DENR), which is the agency having administrative supervision over the LLDA.

In the second assignment of error, petitioners aver that a reading of the provisions of Rule 43 of the Rules of Court would show that the CA has no jurisdiction over the petition for certiorari filed by respondent. Petitioners also assert that respondent is already barred by estoppel from questioning the LLDA's power to impose fines, because it (respondent) actively participated in the proceedings conducted by petitioners without challenging such power.

Lastly, petitioners aver that the LLDA has the power to impose fines and penalties based on the provisions of RA 4850 and Executive Order (E.O.) No. 927.

The Court rules for the petitioners.

As to the first assigned error, the Court agrees with petitioners that respondent did not exhaust administrative remedies before filing a petition for certiorari with the CA.

Under the doctrine of exhaustion of administrative remedies, before a party is allowed to seek the intervention of

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the court, he or she should have availed himself or herself of all the means of administrative processes afforded him or her.[15] Hence, if resort to a remedy within the administrative machinery can still be made by giving the administrative officer concerned every opportunity to decide on a matter that comes within his or her jurisdiction, then such remedy should be exhausted first before the court's judicial power can be sought.[16] The premature invocation of the intervention of the court is fatal to one's cause of action.[17] The doctrine of exhaustion of administrative remedies is based on practical and legal reasons.[18] The availment of administrative remedy entails lesser expenses and provides for a speedier disposition of controversies. Furthermore, the courts of justice, for reasons of comity and convenience, will shy away from a dispute until the system of administrative redress has been completed and complied with, so as to give the administrative agency concerned every opportunity to correct its error and dispose of the case.[19] While the doctrine of exhaustion of administrative remedies is subject to several exceptions,[20] the Court finds that the instant case does not fall under any of them.

It is true that one of the exceptions to the doctrine of exhaustion of administrative remedies is when the issues raised are purely legal. However, the Court is not persuaded by respondent's contention that the special civil action for certiorari it filed with the CA involved only purely legal questions and did not raise factual issues. A perusal of the petition for certiorari filed by respondent readily shows that factual matters were raised, to wit: (a) whether respondent has immediately implemented remedial measures to correct the pH level of the effluent discharges of SM City Manila; and (b) whether the third party monitoring report submitted by respondent proves that it has complied with the effluent standards for inland water set by the LLDA. Respondent insists that what has been raised in the petition filed with the CA was whether the LLDA committed grave abuse of discretion in disregarding the evidence it presented and in proceeding to impose a penalty despite remedial measures undertaken by the latter. Logic dictates, however, that a determination of whether or not the LLDA indeed committed grave abuse of discretion in imposing fine on respondent would necessarily and inevitably touch on the factual issue of whether or not respondent in fact complied with the effluent standards set under the law. Since the matters raised by respondent involve factual issues, the questioned Orders of the LLDA should have been brought first before the DENR which has administrative supervision of the LLDA pursuant to E.O. No. 149.[21]

Neither may respondent resort to a petition for certiorari filed directly with the CA on the ground that the Orders issued by the LLDA are patently illegal and amount to lack or excess of jurisdiction because, as will be subsequently discussed, the assailed Orders of the LLDA are not illegal nor were they issued in excess of jurisdiction or with grave abuse of discretion.

Anent the second assigned error, the Court does not agree with petitioners' contention that the CA does not have jurisdiction to entertain the petition for certiorari filed by respondent questioning the subject Orders of the LLDA. Petitioners argue that Section 1,[22] Rule 43 of the Rules of Court enumerate the quasi-judicial agencies whose decisions or orders are directly appealable to the CA and that the LLDA is not among these agencies. Petitioners should have noted, however, that Rule 43 refers to appeals from judgments or orders of quasi-judicial agencies in the exercise of their quasi-judicial functions. On the other hand, Rule 65 of the Rules of Court specifically governs special civil actions for certiorari, Section 4 of which provides that if the petition involves acts or omissions of a quasi-judicial agency, and unless otherwise provided by law or the rules, the petition shall be filed in and cognizable only by the CA. Thus, it is clear that jurisdiction over acts or omissions of the LLDA belong to the CA.

Nonetheless, the Court agrees with petitioners that respondent is already estopped from questioning the power of the LLDA to impose fines as penalty owing to the fact that respondent actively participated during the hearing of its water pollution case before the LLDA without impugning such power of the said agency. In fact, respondent even asked for a reconsideration of the Order of the LLDA which imposed a fine upon it as evidenced by its

letters dated July 2, 2002 and November 29, 2002, wherein respondent, through its pollution control officer, as well as its counsel, requested for a waiver of the fine(s) imposed by the LLDA. By asking for a reconsideration of the fine imposed by the LLDA, the Court arrives at no conclusion other than that respondent has impliedly admitted the authority of the latter to impose such penalty. Hence, contrary to respondent's claim in its Comment and Memorandum, it is already barred from assailing the LLDA's authority to impose fines.

In any case, this Court has categorically ruled in Pacific Steam Laundry, Inc. v. Laguna Lake Development Authority,[23] that the LLDA has the power to impose fines in the exercise of its function as a regulatory and quasi-judicial body with respect to pollution cases in the Laguna Lake region. In expounding on this issue, the Court held that the adjudication of pollution cases generally pertains to the Pollution Adjudication Board (PAB),[24] except where a special law, such as the LLDA Charter, provides for another forum. The Court further ruled that although the PAB assumed the powers and functions of the National Pollution Control Commission with respect to adjudication of pollution cases, this does not preclude the LLDA from assuming jurisdiction of pollution cases within its area of responsibility and to impose fines as penalty.

In the earlier case of The Alexandra Condominium Corporation v. Laguna Lake Development Authority,[25] this Court affirmed the ruling of the CA which sustained the LLDA's Order requiring the petitioner therein to pay a fine representing penalty for pollutive wastewater discharge. Although the petitioner in that case did not challenge the LLDA's authority to impose fine, the Court acknowledged the power of the LLDA to impose fines holding that under Section 4-A of RA 4850,[26] as amended, the LLDA is entitled to compensation for damages resulting from failure to meet established water and effluent standards. Section 4-A provides, thus:

> Sec. 4-A. Compensation for damages to the water and aquatic resources of Laguna de Bay and its tributaries resulting from failure to meet established water and effluent quality standards and from such other wrongful act or omission of a person, private or public, juridical or otherwise, punishable under the law shall be awarded to the Authority to be earmarked for water quality control management.

In addition, Section 4(d) of E.O. No. 927, which further defines certain functions and powers of the LLDA, provides that the LLDA has the power to "make, alter or modify orders requiring the discontinuance of pollution specifying the conditions and the time within which such discontinuance must be accomplished." Likewise, Section 4(i) of the same E.O. states that the LLDA is given authority to "exercise such powers and perform such other functions as may be necessary to carry out its duties and responsibilities under this Executive Order." Also, Section 4(c) authorizes the LLDA to "issue orders or decisions to compel compliance with the provisions of this Executive Order and its implementing rules and regulations only after proper notice and hearing."

In Laguna Lake Development Authority v. CA,[27] this Court had occasion to discuss the functions of the LLDA, thus:

> x x x It must be recognized in this regard that the LLDA, as a specialized administrative agency, is specifically mandated under Republic Act No. 4850 and its amendatory laws [PD 813 and EO 927], to carry out and make effective the declared national policy of promoting and accelerating the development and balanced growth of the Laguna Lake area and the surrounding Provinces of Rizal and Laguna and the cities of San Pablo, Manila, Pasay, Quezon and Caloocan with due regard and adequate provisions for environmental management and control, preservation of the quality of human life and ecological systems, and the prevention of undue ecological disturbances, deterioration and pollution. Under such a broad grant of power and authority, the LLDA, by virtue of its special charter, obviously has the responsibility to protect the inhabitants of the Laguna Lake Region from the deleterious effects of pollutants emanating from the discharge of wastes from the surrounding areas. x x x[28]

Indeed, how could the LLDA be expected to effectively perform the above-mentioned functions if, for every act

or violation committed against the law it is supposed to enforce, it is required to resort to some other authority for the proper remedy or penalty. The intendment of the law, as gleaned from Section 4(i) of E.O. No. 927, is to clothe the LLDA not only with the express powers granted to it, but also those which are implied or incidental but, nonetheless, are necessary or essential for the full and proper implementation of its purposes and functions.

WHEREFORE, the petition is GRANTED. The Decision of the Court of Appeals, dated June 28, 2004, and the Resolution dated November 23, 2005, in CA-G.R. SP No. 79192, are REVERSED and SET ASIDE. The Orders of the Laguna Lake Development Authority, dated October 2, 2002, January 10, 2003 and May 27, 2003, are hereby REINSTATED and AFFIRMED.

SO ORDERED.

Carpio, (Chairperson), Velasco, Jr.,[*] Bersamin[**], and Abad, JJ., concur.

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[*] Designated as an additional member in lieu of Associate Justice Jose Catral Mendoza, per Special Order No. 886 dated September 1, 2010.

[**] Designated as an additional member in lieu of Associate Justice Antonio Eduardo B. Nachura, per Special Order No. 894 dated September 20, 2010.

[1] Penned by Associate Justice Elvi John S. Asuncion, with Associate Justices Mariano C. Del Castillo (now a member of this Court) and Hakim S. Abdulwahid, concurring; rollo, pp. 43-54.

[2] Id. at 55-58.

[3] Rollo, pp. 86-87; 92-93; 98-99.

[4] Annex "E" to Petition, id. at 75.

[5] Annex "F" to Petition, id. at 76.

[6] Annex "G" to Petition, id. at 77.

[7] Annex "L" to Petition, id. at 86-87.

[8] Annex "I" to Petition, id. at 79-83.

[9] Annex "M" to Petition, id. at 88-91.

[10] Annex "N" to Petition, id. at 92-93.

[11] Annex "O" to Petition, id. at 94-97.

[12] Annex "P" to Petition, id. at 98-99.

[13] An Act Creating the Laguna Lake Development Authority, Prescribing its Powers, Functions and Duties, Providing Funds Therefor, and for other purposes.

[14] Rollo, p. 16.

[15] Ongsuco v. Malones, G.R. No. 182065, October 27, 2009, 604 SCRA 499, 511.

[16] Id.

[17] Id.

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[18] Id.

[19] Id. at 511-512.

[20] The exceptions to the doctrine of exhaustion of administrative remedies x x x are: (1) when there is a violation of due process, (2) when the issue involved is purely a legal question; (3) when the administrative action is patently illegal amounting to lack or excess of jurisdiction; (4) when there is estoppel on the part of the administrative agency concerned; (5) when there is irreparable injury; (6) when the respondent is a department secretary whose acts as an alter ego of the President bears the implied and assumed approval of the latter; (7) when to require exhaustion of administrative remedies would be unreasonable; (8) when it would amount to a nullification of a claim; (9) when the subject matter is a private land in land case proceedings; (10) when the rule does not provide a plain, speedy and adequate remedy; (11) when there are circumstances indicating the urgency of judicial intervention, and unreasonable delay would greatly prejudice the complainant; (12) where no administrative review is provided by law; (13) where the rule of qualified political agency applies; and (14) where the issue of non-exhaustion of administrative remedies has been rendered moot. (Hongkong & Shanghai Banking Corporation, Ltd. v. G.G. Sportswear Manufacturing Corporation, G.R. No. 146526, May 5, 2006, 489 SCRA 578, 585-586.)

[21] E.O. No. 149, dated December 28, 1993, was issued for the purpose of streamlining the Office of the President (OP), transferring regular agencies from the OP to the appropriate departments or agencies for policy and program coordination and integration and/or administrative supervision.

[22] Sec. 1. Scope. - This Rule shall apply to appeals from judgments or final orders of the Court of Tax Appeals and from awards, judgments, final orders or resolutions of or authorized by any quasi-judicial agency in the exercise of its quasi-judicial functions. Among these agencies are the Civil Service Commission, Central Board of Assessment Appeals, Securities and Exchange Commission, Office of the President, Land Registration Authority, Social Security Commission, Civil Aeronautics Board, Bureau of Patents, Trademarks and Technology Transfer, National Electrification Administration, Energy Regulatory Board, National Telecommunications Commission, Department of Agrarian Reform under Republic Act No. 6657, Government Service Insurance System, Employees Compensation Commission, Agricultural Inventions Board, Insurance Commission, Philippine Atomic Energy Commission, Board of Investments, Construction Industry Arbitration Commission, and voluntary arbitrators authorized by law.

[23] G.R. No. 165299, December 18, 2009, 608 SCRA 442.

[24] The Pollution Adjudication Board was created pursuant to Executive Order No. 192.

[25] G.R. No. 169228, September 11, 2009, 599 SCRA 452.

[26] An Act Creating the Laguna Lake Development Authority, Prescribing its Powers, Functions and Duties, Providing Funds Therefor, and for Other Purposes.

[27] G.R. No. 110120, March 16, 1994, 231 SCRA 292.

[28] Id. at 304.

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