

SOCIAL SECURITY SYSTEM EMPLOYEES ASSOCIATION (PAFLU) PETITIONER, VS. THE HON. JUDGE E. SORIANO, ETC. ET AL.

G.R. No. 18081. November 18, 1963

Ponente: BAUTISTA ANGELO, J.

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BAUTISTA ANGELO, J.:

In a motion filed on May 21, 1963, respondents asked this Court to reconsider its decision rendered on April 30, 1963, or in the alternative, to require the court a quo to elevate the evidence the parties had submitted in the case for declaratory relief pending before the latter court (Civil Case No. 48516) in order that it may be taken into account in considering their motion for reconsideration. The alternative request was granted and, accordingly, the evidence above-referred to was elevated before this Court.

EVIDENCE FOR PETITIONER

The evidence for petitioner submitted to us follows:

Copy of the consolidated balance sheet of the SSS as of June 30, 1958 showing its total assets to be P17,234,869.61 and its total income, P12,215,269.36 (Exhibit 2). Copy of the consolidated balance sheet as of June 30, 1959 showing: assets, P49,407,122.57 and income, P36,340,862.11 (Exhibit 3). Consolidated balance sheet as of June 30, 1960 showing: assets, P87,907,181.82 and income, P44,565,312.06 (Exhibit 4). Consolidated balance sheet as of June 30, 1961 showing: assets, P138,170,450.80 and income, P58,779,083.92 (Exhibit 5). Consolidated balance sheet as of June 30, 1962 showing: assets, P194,424,319.38 and income, P69,316,986.71 (Exhibit 6).

Copy of Resolution No. 669 of the SSC (Exhibit 13). Attached thereto are several indorsements regarding the following matter: "Whether or not the construction of the five-million peso building which the Social Security System contemplates to erect in Quezon City shall be subject to the supervision of the Bureau of Public Works by virtue of Section 1901 of the Revised Administrative Code, as amended." The indorsements include opinions of the Director of Public Works, Government Corporate Counsel, and the Auditor of the SSS.

Copy of a letter dated November 16, 1962 of Acting Secretary of Finance denying the request of the SSC for exemption from payment of customs duties and taxes on the importation of one Recordak Reliant 500 Microfilmer (Exhibit 14). A copy of a brochure prepared by the Research and Public Information Staff of the SSS entitled "The Philippine Social Security Program in Brief" (Exhibit 15). In this brochure, the SSC applies to itself Republic Act 2254 which governs only government-owned or controlled corporations thereby placing itself in the category of a government-owned corporation. There is an excerpt in this brochure which reads: "The Social Security System of the Philippines can be said to cover a broad and considerable scope, i.e., it is an insurance scheme of general application." (*Italic supplied*).

Copy of the June-July, 1961 issue of the Philippine Security Bulletin Vol. III (Exhibit 16) containing excerpts showing that the SSS is run like a government corporation and applying to it Republic Act 2254 governing

government-owned or controlled corporations. And on page 124, there appears an article of the Chief of the Research and Public Information Staff of the SSC stating that the SSS is but a counterpart of the GSIS for government employees. He stated: "It will then include a rather detailed explanation of the operation of the Government Service Insurance System which is the social security program of government employees in the Philippines."

Copy of the April, 1962 issue of the Philippine Social Security Bulletin (Exhibit 18) showing that the SSS funds are in the nature of trust funds of the highest order. It shows that the social security funds are invested in real estate, banks, stocks and bonds of the government and of private companies, time deposits and savings deposits which up to that time amounted to P160,468,629.54.

Copy of the 1958 annual report of the SSC showing how the funds of the System are invested (Exhibit 20). It mentions certain guideposts for the investment of its funds, which include interest-bearing bonds of the government, interest-bearing deposits in any domestic banks, and projects and investments which shall redound to the benefit of the System. The intention is to put the SSS on the same footing as any other insurance entity.

And copy of the 1960 annual report of the SSC (Exhibit 21) stating in part: "What it (social security) does provide is basic protection against the major hazards of life which neither the wage-earner nor the employer, neither the individual nor his family, can by themselves provide. It increases the opportunities and minimizes the risks for the individual." Exhibit 22 is another report of the SSC which acknowledges that the System is operated on the social insurance principles.

EVIDENCE FOR RESPONDENTS

The evidence for respondents submitted to us follows:

The structural and functional charts of the SSS showing its organization and that of its officers, departments and sections (Exhibits A and B). A list of its employees (Exhibit C). Two job forms showing the duties of a field representative and a claims computer in the Claims Department (Exhibits D, and D-1).

A copy of the Social Security Act of 1954 (Exhibit E), and a document containing rules and regulations regarding compulsory coverage, effectivity of coverage, payment of premiums, integration, coverage of seasonal employees, retirement, death and disability, sickness, effect of separation from employment and hearing procedure in the Commission. These rules show that the SSC has quasi-legislative and quasi-judicial powers (Exhibit F).

Copy of the agreement entered into between the SSC and the PAFLU recognizing the latter as sole and exclusive bargaining agent, the validity of which would depend upon the final outcome of the present litigation (Exhibit G). Copy of a resolution of the SSC stating that the management would pay the wages and salaries of those employees and workers who declared strike (Exhibit G-1).

An actuarial graph showing the administration expenses, contributions, interests earned, and their stand in relation with one another (Exhibit H), Some Position Description Forms of several employees in the System (Exhibit I), as well as several copies of printed records on appeal submitted in various cases pending in this Court (Exhibit J, J-1 to J-5).

Abstract of the testimony given by Higinio B. Francisco, First Deputy Administrator, and Pedro Sen, Associate Actuary.

In rebuttal, respondents submitted a photostatic copy of a letter of Acting Secretary Rodrigo D. Perez dated March 7, 1963 to the Administrator of the SSS. This letter contains a request that the SSS pay customs duties and taxes

on the importation by the latter of a Recordak Reliant 500 Microfilmer subject to refund if certified by the Executive Secretary that said machine is being used by the corporation.

DISCUSSION

The evidence elevated before this Court, the nature of which has been briefly described above, shows the following relevant facts:

The Acting Secretary of Finance in a letter dated November 16, 1962 required the SSS, pursuant to the provisions of Section 1205 of the Tarriff and Customs Code to pay customs duty and tax on its importation of one Recordak Reliant 500 Microfilmer. The SSS requested for exemption on the plea that being a government entity it is exempt from the payment of any customs duty or tax, but the exemption was denied on the ground that the System is not performing a strictly governmental function. Said the Secretary of Finance:

"Under the law creating the Social Security System (Republic Act No. 2658), the nature of its functions are similar to a business corporation. It is performing functions not strictly governmental or political and therefore not entitled to tax exemption under Section 1205 of the Tariff and Customs Code."

This shows that even the Secretary of Finance is of the opinion that the SSS performs proprietary functions for it is operated like a business corporation.

The case of the construction of the 5-million peso building which the SSS contemplated to erect in Quezon City as embodied in Resolution No. 669 of the SSC is interesting. The question raised was whether the construction would be undertaken under the supervision of the Bureau of Public Works by virtue of Section 1901 of the Revised Administrative Code, as amended. The SSS contended that, not being strictly a government project, it can undertake it independently from the Bureau of Public Works. The Director of Public Works in turn was of the opinion that it is included in the category of national public building and, hence, comes under the section above-referred to. When the question was referred to the Government Corporate Counsel for opinion, the latter expressed the view that the SSS only exercises ministrant functions which are generally exercised by government-owned or controlled corporations, and that it is not a part of the national or other branches of the government. The opinion says in part:

"The ministrant functions, are those that are undertaken only by way of advancing the general interest of society which are merely optional, such as, public works, public charity, health and safety regulations, and other functions of similar nature. The ministrant functions are exercised by organizations, like the Social Security System and other government-owned and controlled corporations, created to promote certain aspects of the economic and social life of our people.

"While the promulgation of decisions by the Social Security Commission is quasi-judicial or governmental in nature, however, the construction of a building is in the nature of an investment, which is proprietary. The latter, therefore, pertains more to the ministrant aspect of the functions of the System.

* * * * *

"Under its charter, the Social Security Commission is created 'to develop establish gradually and perfect a social security system which shall be suitable to the needs of the people throughout the Philippines.' (Sec. 2, Rep. Act 1161, as amended by Rep. Act No. 1792). Said Commission has the power, among others, to enter into agreements or contracts for such services as it may deem necessary for the proper, efficient and stable administration of the System (Sec. 4(g) ; the power to sue and be sued in court (Sec. 4(j), or in short the System has corporate powers separate and distinct from those of our Government. In this connection, the Social Security System is not a part of the 'National or other branch of the Government,' and the Bureau of Public Works cannot, therefore, unless so requested, exercise supervision over the architectural and

engineering features of the proposed SSS building."

The Auditor of the Social Security System concurred in the opinion expressed by the Government Corporate Counsel. The SSC in its Resolution 669 in turn confirmed the action taken by a majority of its members which acquiesced in the opinion of the Government Corporate Counsel as concurred in by its auditor. As a consequence, the construction was undertaken without the supervision of the Director of Public Works.

Respondents do not seem to agree to our view that the SSS is operated under the same insurance scheme or principle underlying the operation of the GSIS. But the very brochure prepared by the Research and Public Information Staff of the SSS, as well as the several feature articles that appeared in several issues of the Philippine Security Bulletin published upon the authority of the SSS clearly belie this contention. Thus, in said brochure Exhibit 15 we read the following: "The Social Security System of the Philippines can be said to cover a broad and considerable scope, i.e., it is an insurance scheme of general application." And on page 124 of the June-July, 1961 issue of the same bulletin, Vol. III, the Chief of the Research and Public Information Staff has expressed the view, in an article he published, that the SSS is but a counterpart of the GSIS for government employees. He said: "It will then include a rather detailed explanation of the operation of the Government Insurance System which is the social security program for government employees in the Philippines."

Finally, it is contended that the SSS is not operated for profit. This contention is also belied by the Philippine Social Security Bulletin of the SSS wherein in its 1962 issue it is well-explained how the funds of the System have been invested in real estate, banks, stocks and bonds of the government and of private companies, time deposits and savings deposits, which at that time amounted to P160,468,629.54, thus confirming the explanation given in the 1958 annual report of the SSC regarding the guideposts to be followed in the investment of the funds of the System. And in the consolidated balance sheets of the SSS for the year 1958, 1959, 1960, 1961 and 1962, one can glean the many benefits that had been extended to the members of the System which is the main feature of its operation. Thus, as of December 31, 1957 the total benefit payments amounted to P75,437.68; as of June 30, 1960, the benefit payments amounted to P2,761,395.45; as of June 30, 1961, the benefit payments amounted to P4,829,176.78, and as of June 30, 1962, the benefit payments amounted to P7,751,348.56.

The same consolidated balance sheets show the tremendous increase in the assets and income of the System as a result of its operation. Thus, as of June 30, 1958, its assets amounted to P17,234,869.61, while its total income, P12,215,269.36. As of June 30, 1959, its assets amounted to P49,407,122.57, while its income, P36,340,862.11; as of June 30, 1960, its assets, P87,907,181.82, and its income, P44,565,312.06; as of June 30, 1961, its assets, P138,170,450.80, and its income, P58,779,083.92; and as of June 30, 1962, its assets amounted to P194,424,319.38 and its total income, P69,316,986.71.

There is, therefore, nothing in the evidence before us that may in any way sway us from our conclusion that the SSC or SSS is a government-owned or controlled corporation performing basically proprietary functions, and as such it comes under the operation of the Magna Carta of Labor.

Wherefore, the motion is denied.

Bengzon, C. J., Labrador, Concepción, Barrera, Paredes, Dizon, Regala and Makalintal, JJ., concur.
Reyes, J. B. L., J. In the result.

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