SUPREME COURT
FIRST DIVISION

ELISEO FAVILA, VIRGILIO ROM, MERCURIO SABUYA, DANILO CAPABLANCA, ERNESTO DELOS REYES, ABSALON HIKILAN, BENITO BORBON, MARIO BAGAYO, EDGAR YBAÑES, IRENEO QUIMPAN, SORLITO DUCENA, SAMUEL FRANCISCO, CRISTOVAL NICANOR, ANTONIO CABERTE, NARDITO ACIERTO and FELIPE EWAYAN,

***Petitioners*,**

-versus-

G.R. No. 126768
June 16, 1999

The Second Division of the NATIONAL LABOR RELATIONS COMMISSION represented by Commissioner ROGELIO RAYALA, and PAGDANAN TIMBER PRODUCTS INC., represented by its Administrative Manager REYNALDO REYES,

***Respondents*.**

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D E C I S I O N

KAPUNAN, *J.*:

The main issue in this case is whether the NLRC gravely abused its discretion in entertaining private respondent corporation's supplemental motion for reconsideration which was filed one and a half (1½) months after its motion for reconsideration.

Petitioners are all former employees of private respondent Pagdanan Timber Products, Inc. (PTPI), a domestic corporation which used to operate under a Timber License Agreement (TLA). As a result of the passage of Republic Act No. 7611 (The Strategic Environmental Plan for Palawan Act) on June 19, 1992, the Department of Environmental and Natural Resources (DENR) issued Department Administrative Order No. 45 series of 1992 declaring a moratorium on all commercial logging in Palawan and canceling the private respondents TLA. Consequently, PTPI was compelled to put most of its employees on forced leave in the early part of 1993.

On May 22, 1993, PTPI entered into a Memorandum of Understanding with the DENR to convert its TLA into a community-based forest management. Under the same Memorandum of Understanding, PTPI was supposed to give first priority to the payment of salaries and benefits of its employees from the proceeds of the sale of the remaining logs and lumber of PTPI. After the first batch of employees was paid, no further payment was made to the other employees.

After conciliation proceedings failed, the matter was forwarded to the Labor Arbiter for compulsory arbitration. Only the petitioners, however, appeared for the initial mandatory conference held on March 10, 1995 despite notice to both parties.

On March 21, 1995, the Labor Arbiter issued an order requiring the parties to submit their position papers on or before the next hearing set on May 22, 1995. Only petitioners showed up for the scheduled hearing on May 22, 1995, however. While petitioners submitted their position paper on April 19, 1995, private respondent never submitted its position paper. After the hearing on May 22, 1995, the case was considered submitted for decision.

On June 21, 1995, the Labor Arbiter rendered a decision in favor of petitioners.

> WHEREFORE, premises considered, judgment is hereby rendered ordering respondent Pagdanan Timber Products, Inc. to pay all complainants the following:
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> |---|---|---|
> | 1. | Unpaid wages | P118,422.00 |
> | 2. | Separation pay | 259,028.00 |
> | 3. | Credit Union Shares | 102,000.00 |
> | 4. | Cooperative Shares | 22,813.00 |
> | 5. | Unused Annual Leave | 16,616.50 |
> | 6. | 13th month pay | 11,512.00 |
> | | Total Claims | 528,591.50 |
>
> All claims for payment of legal interests, moral damages and attorney's fees are dismissed for lack of merit.
>
> SO ORDERED.[1]

In its appeal to the NLRC, PTPI alleges that it did not receive the order of the Labor Arbiter, which required the parties to submit their position paper, on time. According to PTPI, the order "was sent by registered mail to the remote municipality of San Vicente, Palawan and addressed to herein respondent whose mill site is around sixty kilometers from the nearest post office"[2] PTPI thus argued that it was deprived due process.

PTPI also contended that under the Memorandum of Understanding, the payment of petitioners' claim was subject to a suspensive condition, i.e., the existence of lumber stock. As there were no more logs timber for sale, the obligation of PTPI to petitioner did not arise. Finally, private respondent claimed that petitioners were not entitled to separation pay since the cessation of PTPI's operations was mandatory and forced upon by the government.

On February 29, 1996, the NLRC rendered a decision affirming the decision of the Labor Arbiter. It held:

Firstly, appellants were given all the opportunities to argue and present evidence in denying complainants claims against them. The instant complaint originated from the Regional Office of the Department of Labor and Employment where all efforts were exerted to settle the case, but to no avail. Respondent company was represented by its Administrative Manager who only gave a round around strategy in delaying the resolution of the case. this prompted the DOLE Regional Office to endorse the case to the Regional Arbitration Branch of this office for compulsory arbitration.

Secondly, appellant's allegation that they were denied due process when the Labor Arbiter below decided the case based solely on complainants' position paper, without giving the appellants the opportunity to present their side is a baseless contention. The records show that appellants, through its Administrative Manager, were accommodated through and through during the conciliation conferences in an effort to reach an amicable settlement.

In addition, appellants were duly notified that the case was being endorsed to the Arbitration Branch of this office for compulsory arbitration. Appellants' allegation that they did not receive the copy of the Order of the Labor Arbiter submitting the case for resolution on time is hazy. It is of public notice that receipt of registered mails can be delayed. Appellants' allegation of the inability to get the order on time *vis-a-vis*:

> There was no Position Paper on the part of respondent. True. The reason is that the Labor Arbiter's Order of March 21, 1995 (which was sent by registered mail to the remote municipality of San Vicente, Palawan and addressed to herein respondent whose millsite is around sixty (60) kilometers from the nearest post office) requiring the parties to submit their respective Position Papers was not received by respondent Pagdanan Timber Products, Inc. on time.

is a very shallow alibi. How then can they explain why they were able to receive a copy of the assailed decision in so short and reasonable period of time and perfect an appeal thereon within the prescriptive period?

> Thirdly, the Memorandum of Understanding does not provide for the condition for the payment of the salaries and other benefits of the complainants but rather, a directive that salaries and other benefits due to the employees must be preferred over all other claims and charges against respondent company.
>
> Lastly, that while the closure of the company is done as a necessary consequence of the implementation of the law, the same (closure) does not exempt respondent company from its obligation to its employees insofar as payment of separation pay is concerned. Respondent-appellants even up to the level of appeal, never alleged serious business losses, as a consequence of closure.
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> WHEREFORE, premises considered, the appeal, as it is hereby DISMISSED for lack of merit. Accordingly, the appealed decision is AFFIRMED in toto.
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> SO ORDERED.[3]

On March 20, 1996, PTPI filed its motion for reconsideration, citing the following grounds:

> (1) Its obligation to pay petitioners' claims was extinguished by legal and physical impossibility because:
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> (a) It has suffered serious financial losses as a result of the logging moratorium; and
>
> (b) There is no more stock of logs and lumber left for disposal to satisfy the claims of petitioners;
>
> (2) The award of separation pay has no basis since the cessation of its business was not voluntary but by force of law.

On April 2, 1996, the NLRC resolved to deny PTPI's motion for reconsideration for lack of merit.

On May 8, 1996, more than (1) month after it filed its motion for reconsideration and one (1) month after the NLRC denied the same, PTPI filed a "Supplemental Motion for Reconsideration," claiming that:

(1) It was denied due process by the Labor Arbiters;

(2) Petitioners are not entitled to separation pay;

(3) It has suffered serious business losses; and

(4) Its obligation has already been extinguished due to physical and legal impossibility.

As evidence of its alleged losses, PTPI attached its Income Tax Returns for 1992 and 1993[4] to the supplemental motion.

In its Resolution dated July 31, 1996, the NLRC resolved to set aside its Decision dated June 21, 1995 and Resolution dated April 2, 1996, and ordered the remand of the case to the Labor Arbiter.

Petitioners contend that the NLRC gravely abused its discretion in entertaining private respondent's supplemental motion for reconsideration in violation of the NLRC Rules of Procedure requiring only one motion for reconsideration for each party, Section 14, Rule VII of said Rules states:

> Motions for Reconsideration. — Motions for Reconsideration of any order, resolution or decision of the Commission shall not be entertained, except when based on palpable or errors, provided that the motion is under oath and filed within ten (10) calendar days from receipt of the order, resolution or decision, with proof of service that a copy of the same has been furnished within the reglementary period, the adverse party, and provided further that only one such motion from the same party shall be entertained.

We agree with petitioner that the NLRC violated the above provision not so because it ignored the one-motion-per-party rule but because it circumvented the requirement that parties must file their motions

for reconsideration within "ten (10) calendar days from receipt of the order, resolution or decision." Entertaining such supplemental motion for reconsideration allows the parties before the NLRC to submit their motions for reconsideration on a piecemeal basis. This would defeat the rule's clear intent to facilitate the speedy disposition of cases. Such intent is apparent from the limited duration of 10 days by which the parties may submit their motions for reconsideration. Thus, in Lamson Trading, Inc. vs. Leogardo, Jr.,[5] we held:

> Rules of procedure and practice of the Ministry of Labor provide periods within which to do certain acts such as to file a motion for reconsideration. Such periods are imposed with a view to prevent needless delays and to ensure the orderly and speedy discharge of judicial business. Strict compliance with such rule is both mandatory and imperative (FJR Garments Industries vs. Court of Appeals, 130 SCRA 216). Only strong considerations of equity, which are missing in this case, will lead this Court to allow and exception to the procedural rule in the interest of substantial justice.

Delays cannot be countenanced in the settlement of labor disputes. The disputes may involve no less than the livelihood of an employee and that of loved ones who are dependent upon him for food, shelter, clothing, medicine, and education. It may as well involve the survival of a business or an industry.[6]

In the present case, private respondent filed its supplemental motion for reconsideration one and a half (1½) months after its motion for reconsideration. It took private respondent so long to "supplement" the latter motion that the NLRC had already rendered a resolution denying the motion for reconsideration a month before such filing. That the supplemental motion was filed before receipt of the resolution denying reconsideration is beside the point. The point is that the supplemental motion was filed beyond the 10-day period prescribed by the NLRC Rules of Procedure and should not have been entertained at all.

While it is true that the NLRC Rules must be liberally construed and that the NLRC is not bound by the technicalities of law and procedure, the NLRC itself must not be the first to arbitrarily

disregard specific provisions of the Rules which are precisely intended to assist the parties in obtaining just, expeditious and inexpensive settlement of labor disputes.[7] In short, the rule on liberal construction is not a license to disregard the rules of procedure. Rules of Procedure exist for a purpose, and to disregard such rules in the guise of Liberal Construction would be to defeat such purpose. In this case, to allow the NLRC to entertain private respondent's supplemental motion for reconsideration would hamper, as in fact it did, the speedy disposition of the present case.

In allowing the supplemental motion and remanding the case of the Labor Arbiter, the NLRC believed that private respondent was denied due process in the proceedings before the Labor Arbiter. This is apparent from the following excerpt in the impugned resolution:

> The New NLRC Rules should be liberally construed to carry out the objectives of the Constitution and the Labor Code of the Philippines and to assist the parties in obtaining just, expeditious, and inexpensive settlement of labor dispute (Sec. 2, Rule New NLRC Rules).

As correctly articulated by the respondent, the decision of the Labor Arbiter, which the Commissioner affirmed is based on the allegations of the complainants. The Labor Arbiter in his decision, held as follows:

> "The entire allegations of the complainants were not disputed and controverted by the respondent when they kept silent and did not submit any Position Paper and supporting documentary evidence when required to do so. Hence, the reasons stated in the Position Paper of complainants are adopted as justifications by this Office in awarding to all complainants their monetary claims mentioned earlier."

Under his decision, the Labor Arbiter decreed that the respondents are liable to the complainants in the amount of P528,591.50.

Closer review of the records reveal that by virtue of his Order dated March 21, 1995, the Labor Arbiter did require the parties to submit their position papers on May 22, 1995. It appears that on May 22,

1995, no appearance was entered for the respondent. The respondent failed to submit its position paper. What the Labor Arbiter did was to consider the case submitted for resolution as of May 22, 1995, at which time only the complainants' position paper was filed on record.

Considering the nature of the monetary claims, the Labor Arbiter was required under the NLRC Rules should have determined whether there was a need for a formal hearing; or he should have asked clarificatory questions to further elicit facts or information, including but not limited to the subpoena of relevant documentary evidence, if any, from any party or witness. Considering the nature of his award for unpaid wages, separation pay, credit union shares, cooperatives shares, unused annual leave and 13th month pay, the Labor Arbiter should not have simply relied on the complainants' allegations or he should not have immediately considered complainants' own "reasons stated in the position paper as justification in awarding to all complainants their monetary claims." In other words, it is still incumbent on the Labor Arbiter to make his own review of the evidence and conclusions and the reasons therefore.

Accordingly, in line with the higher interest of justice, the case is REMANDED to the Labor Arbiter for further proceedings whereby the parties be afforded the opportunity to adduce evidence in a formal trial on hearing without delay.[8]

We fail to see how private respondent was denied due process or why the case has to be remanded to the Labor Arbiter. Granting that private respondent indeed did not receive the Order of the Labor Arbiter requiring the parties to submit their position papers on time, such defect was cured when private respondent filed its appeal with the NLRC. After all, the essence of due process is merely that a party be afforded a reasonable opportunity to be heard and to submit any evidence he may have in support of his defense.[9]

It may be that the NLRC was moved by the allegation of private respondent that it was suffering from serious financial losses. This issue, however, was raised for the first time only in its motion for reconsideration. Worse, it was only in its supplemental motion for reconsideration did private respondent present evidence to prove such claim by attaching its Income Tax Returns for the years 1991 and

1992. Even then, Income Tax Returns are self-serving documents because they are generally filled up by the taxpayer himself, in this case by private respondent. They are still to be examined by the Bureau of Internal Revenue for their correctness.[10]

If it was true that private respondent was suffering serious financial losses, it should have raised such issue and presented evidence thereon at the earliest possible opportunity, that is, in its appeal. The NLRC, after all, is not precluded from receiving evidence on appeal,[11] provided that there was plausible reason for the delay in their submission.[12] Such an important defense would not have been lost on a business enterprise which would ordinarily look out for its concerns. The act of private respondent in raising an issue and submitting evidence at the last minute casts doubt on the veracity of its claim and may lead one to conclude that it was merely out to delay the disposition of the case.

Were it not for the persistence exhibited by petitioners, the case at bar would have been a sad testament to out observation in Narag vs. National Labor Relations Commission,[13] quoting Vir-Jen Shipping and Marine Services vs. NLRC[14] that:

> Delay in most instances, gives the employers more opportunity not only to prepare even ingenious defenses, what with well-paid talented lawyers they can afford, but even to wear out the efforts and meager resources of the workers, to the point that not infrequently the latter either give up or compromise for less than what is due them.
>
> Finally, the failure of petitioners to file a motion for the reconsideration of the resolution of the NLRC remanding the case to the Labor Arbiter did not preclude them from filing a petition for certiorari in this Court. As our decision today demonstrates, the challenged resolution is a nullity and excuses such failure.[15]

WHEREFORE, the petition is **GRANTED**. The Resolution of the National Labor Relations Commission dated July 31, 1996 in NLRC Case No. RAB-IV-3-7209-95-P (NLRC NCR CA No. 009479-95) is

SET ASIDE and its Decision dated February 29, 1996 and Resolution dated April 2, 1996 are **REINSTATED**.

SO ORDERED.

Davide, Jr., *C.J.*, Melo, Pardo and Ynares-Santiago, *JJ.*, concur.

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[1] Rollo, pp. 31-32.
[2] Id., at 37-38.
[3] Id., at 49-51. Underscoring in the original.
[4] Id., at pp. 69-75.
[5] 144 SCRA 571 (1986).
[6] Mañebo vs. National Labor Relations Commission, 229 SCRA 240 (1994).
[7] Ibid.
[8] Rollo, pp. 18-20.
[9] PMI Colleges vs. National Labor Relations Commission, 277 SCRA 462 (1997).
[10] San Carlos Milling Co., Inc., vs. Commissioner of Internal Revenue, 228 SCRA 135 (1986).
[11] Nagkaisang Manggagawa sa Sony vs. NLRC (First Division), 272 SCRA 209 (1997).
[12] Anderson vs. National Labor Relations Commission, 252 SCRA 116 (1996).
[13] 155 SCRA 199 (1987).
[14] 115 SCRA 347 (1982).
[15] Alfante vs. National Labor Relations Commission, 283 SCRA 340 (1997).
