SECOND DIVISION

[G.R. No. 247702, June 14, 2021]

ANTONIO D. ORLANES, PETITIONER, VS. STELLA MARRIS SHIPMANAGEMENT, INC., FAIRPORT SHIPPING CO., LTD., AND/OR DANILO NAVARRO, RESPONDENTS.

D E C I S I O N

PERLAS-BERNABE, J.:

Assailed in this petition for review on *certiorari*[1] are the Decision[2] dated September 27, 2018 and the Resolution[3] dated March 1, 2019 of the Court of Appeals (CA) in CA-G.R. SP No. 134259, which affirmed the Decision[4] dated October 30, 2013 and the Resolution[5] dated December 26, 2013 of the National Labor Relations Commission (NLRC) in LAC No. 07- 000700-13, dismissing petitioner Antonio D. Orlanes' (Orlanes) money claims.

The Facts

On July 24, 2012, Orlanes filed a complaint[6] (*second* complaint) before the Labor Arbiter (LA) for non-payment of salary, travel allowance, and leave pay, as well as for payment of damages plus attorney's fees against his **foreign principal employer Fairport Shipping Co., Ltd. (Fairport)**, its current local manning agency **Stella Marris Shipmanagement, Inc. (Stella Marris)**,[7] and officer **Danilo Navarro (Navarro)** (collectively, respondents). Orlanes alleged that Fairport employed him as Master on board the vessel M/V Orionis from August 4, 2009 to July 24, 2010. Fairport, however, did not pay his salary, although they assured him that this will be paid in full upon disembarkation. Thus, he agreed to disembark from the vessel on July 27, 2010 without receiving his unpaid salary in the amount of US$8,819.73, travel allowance in the amount of US$59.57, and leave pay in the amount of US$5,680.26, or a total of US$14,559.56.[8] Despite his demand, respondents refused to make the payment. Hence, his complaint.

In response,[9] Stella Marris argued that it cannot be held liable for the aforementioned claims of Orlanes. While it had executed an Affidavit of Assumption of Responsibility, the same only pertained to the assumption of full and complete responsibility for all contractual obligations to the seafarers originally processed and recruited by its immediate predecessor, **Global Gateway Crewing Services, Inc. (Global)**. Thus, since Orlanes was originally hired by **Skippers United Pacific Inc. (Skippers)**, and that the obligations under his contract were transferred to Global and not assumed by Stella Marris, the latter cannot be held liable.

Notably, prior to the filing of the *second* complaint as abovedescribed, records show that Orlanes had earlier filed a complaint[10] against Skippers, Fairport, and Jerosalem P. Fernandez (*first* complaint). During the pendency thereof, Skippers

filed a Motion to Implead and Substitute Global instead as the latter had executed an Affidavit of Assumption of Responsibilities[11] dated May 9, 2011 in favor of Skippers, which was a requirement for the transfer of the accreditation of the vessel. A few months later, or on December 6, 2011, Global, however, filed an Urgent Motion to Re-Open and to Implead Stella Marris as the latter had executed its own Affidavit of Assumption of Responsibilities[12] dated November 17, 2011 in favor of Global to facilitate the second transfer of the accreditation.[13] Records fail to show if the said motion was acted upon.

Nonetheless, in view of the succeeding transfers of Fairport's manning agent from Skippers to Global, and Global to Stella Marris, the LA rendered a Decision[14] dated December 29, 2011 dismissing the *first* complaint, without prejudice to Orlanes' refiling of the case against the alleged proper parties, *i.e.*, Global, Fairport, and Stella Marris.

Aggrieved, Orlanes filed an appeal before the NLRC which was likewise dismissed in a Resolution[15] dated March 20, 2012 due to his failure to sign the certificate of non-forum shopping. Orlanes no longer moved for reconsideration of the said Resolution.[16] Thus, as the *first* complaint was dismissed without prejudice, Orlanes filed the *second* complaint before the LA against Fairport, Stella Marris, and/or Navarro, as respondents.[17]

The LA Ruling

In a Decision[18] dated May 31, 2013 (LA Decision), the LA granted the *second* complaint filed against herein respondents Fairport, Stella Marris, and Navarro. Accordingly, the LA held the three manning agencies, *i.e.*, Skippers, Global, and Stella Marris, solidarily liable with Fairport to pay Orlanes the sum of US$14,559.56. Notably, while Skippers and Global were not impleaded as parties in the *second* complaint, the LA nonetheless found them liable. In particular, the LA found Skippers liable as signatory to the employment contract and Global as substitute manning agent which assumed full and complete responsibility for all contractual obligations to the seafarers originally recruited and processed by Skippers.[19]

Dissatisfied, Stella Marris appealed[20] to the NLRC.[21]

The NLRC Ruling

In a Decision[22] dated October 30, 2013, the NLRC set aside the LA Decision and instead dismissed the *second* complaint. It ruled that the LA erred in holding Skippers and Global solidarily liable with Fairport since they were not impleaded as parties in the *second* complaint. On the other hand, it found no basis to hold Stella Marris liable, considering that the latter was not the local manning agency which originally deployed Orlanes and it did not assume the liability of Skippers as the deploying agency. Rather, according to the NLRC, it was Skippers which should have been held liable pursuant to Section 10[23] of Republic Act No. (RA) 8042, otherwise known as the "Migrant Workers and Overseas Filipinos Act of 1995," as amended by RA 10022, which provides that the liability of the original manning agency continues during the entire period of the employment contract and is not affected by the

transfers or substitutions of manning agencies. Finally, it observed that the liability assumed by Stella Marris under its Affidavit of Assumption of Responsibility pe11ained only to those employees originally recruited by Global, and not of Skippers, as Orlanes is in this case.[24]

Unperturbed, Orlanes Inoved for reconsideration but was denied in a Resolution[25] dated December 26, 2013. Thus, he filed a petition for *certiorari*[26] before the CA, averring that the NLRC committed grave abuse of discretion in dismissing the *second* complaint.[27]

The CA Ruling

In a Decision[28] dated September 27, 2018, the CA agreed with the NLRC that it was Skippers, as Fairport's original manning agent, which should be held solidarily liable with Fairport for Orlanes' claims pursuant to Section 1 (e) (8), Rule II, Part II[29] of the Philippine Overseas Employment Administration (POEA) Rules and Regulations Governing the Recruitment and Employment of Seafarers (2003 POEA Rules and Regulations) since its liability continued during the entire period of the employment contract and was not affected by the transfers or substitutions of manning agencies.[30] Thus, although Fairport was a party in the *second* complaint, it proceeded to dismiss the *certiorari* petition.

Undaunted, Orlanes moved for reconsideration, which the CA denied in a Resolution[31] dated March 1, 2019. Hence, this petition.

The Issue Before the Court

The issue before the Court is whether or not the CA erred in upholding the NLRC rulings dismissing Orlanes' monetary claims against respondents.

The Court's Ruling

The petition is partly meritorious.

Under Section 1 (e) (8), Rule II, Part II[32] of the 2003 POEA Rules and Regulations, in relation to Section 10[33] of RA 8042,[34] otherwise known as the "Migrant Workers and Overseas Filipinos Act of 1995," as amended by RA 10022,[35] the local manning agency assumes "joint and solidary liability with the employer for all claims and liabilities which may arise in connection with the implementation of the employment contract." This liability remains intact and extends up to and until the expiration of the employment contracts of the employees recruited and employed pursuant to the said agreement and covers any and all claims arising therefrom.

Section 10 of RA 8042 states that the solidary liability of the foreign principal and the recruitment agency to the employees "*shall not be affected by any substitution, amendment or modification made locally or in a foreign country of the said contract*." The rationale behind the rule was explicated in the case of *Catan v. National Labor Relations Commission*,[36] *viz*.:

> This must be so, because the obligations covenanted in the recruitment agreement entered into by and between the local agent and its foreign principal are not coterminus with the term of such agreement so that if either or both of the parties decide to end the agreement, the responsibilities of such parties towards the contracted employees under the agreement do not at all end, but the same extends up to and until the expiration of the employment contracts of the employees recruited and employed pursuant to the said recruitment agreement. Otherwise, this will render nugatory the very purpose for which the law governing the employment of workers for foreign jobs abroad was enacted.[37]

Thus, in *Powerhouse Staffbuilders International, Inc. v. Rey*,[38] the Court ruled that even if an Affidavit of Assumption of Responsibility was validly executed by the transferee agent assuming the full and complete responsibility over all contractual obligations of the principal to the seafarers originally recruited and processed by therein original manning agent, the latter's liability to its recruited workers remained intact because the said workers were not privy to such contract of transfer. Further, the Court pointed out that the original manning agent was the recruitment agency of the foreign principal that was stated in the seafarers' POEA-approved employment contracts, and hence, was contractually bound to fulfill its obligations to the seafarer.

Likewise, in *Skippers United Pacific, Inc. v. Maguad*[39] - which notably involved the same Skippers manning agency in this case - the Court held that while the Affidavits of Assumption of Responsibility executed between Skippers, as the original manning agency, and the two other succeeding manning agencies were valid, said affidavits are not enforceable against the seafarers because they are not parties thereto. As such, citing Section 1 of Rule II of the 2003 POEA Rules and Regulations, Skippers cannot exempt itself from all the seafarers' claims and liabilities arising from the implementation of the contract executed between them. Further, in view of the verified undertaking Skippers submitted to the POEA stating that it "shall assume joint and solidary liability with the employer for all claims and liabilities which may arise in connection with the implementation of the contract," it assured the aggrieved seafarers of immediate and sufficient payment of what is due them.

While the 2003 POEA Rules and Regulations allow the transfer of the registration and/or accreditation of the foreign principal to another local manning agency, which includes the transfer of the full and complete responsibility over all contractual obligations of the principal to the seafarers, the said transfer, however, covers only those contractual obligations to seafarers "*originally recruited and processed by the former agency*." This limitation is pursuant to the governing rule provided under Section 8, Rule I, Part III of the 2003 POEA Rules and Regulations on transfer of registration of principal and Section 7, Rule II, Part III of the same Rules on transfer of registration, which states:

PART III
PLACEMENT BY THE PRIVATE SECTOR

RULE I
VERIFICATION OF DOCUMENTS AND REGISTRATION OF FOREIGN PRINCIPALS AND ENROLMENT OF VESSELS

x x x x

Section 8. Transfer of Registration of Principal and/or Enrolment of Vessel. The registration of a principal and/or enrolment of vessel may be transferred to another agency provided such transfer shall not involve diminution of wages and benefits of the seafarers hired through the previous agency; and provided further that the transferee agency shall assume full and complete responsibility over all contractual obligations of the principal to the seafarers **originally recruited and processed by the former agency**. Prior to the transfer of registration, the Administration shall notify the previous agency and principal of such application for transfer.

x x x x

RULE II
ACCREDITATION OF PRINCIPALS AND ENROLMENT OF SHIPS BY MANNING AGENCIES

x x x x

Section 7. Transfer of Accreditation of Principal and/or Enrolment of Vessel. The accreditation of a principal and/or enrolment of vessel may be transferred to another agency provided such transfer shall not involve diminution of wages and benefits of the seafarers hired through the previous agency; and provided further that the transferee agency shall assume full and complete responsibility to all contractual obligations of the principals to its workers **originally recruited and processed by the former agency**. Prior to the transfer of accreditation, the Administration shall notify the previous agency and principal of such application for transfer." (Emphases supplied)

In this case, there is no dispute that Skippers was the original manning agent of Fairport which recruited Orlanes and processed his employment with the former. As the accredited local manning agency for Fairport, Skippers assumed joint and solidary liability with the latter under the contract of employment of Orlanes as mandated by law.

However, pending Orlanes' *first* complaint against Skippers and Fairport before the NLRC, Fairport transferred its accreditation/registration to Global on May 9, 2011 in accordance with Section 8, Rule I, and Section 7, Rule II, Part III of the 2003 POEA Rules and Regulations. By virtue of the Affidavit of Assumption of Responsibilities that was executed by the Operations Manager of Global, Global assumed full and complete responsibility and without qualification all contractual obligations to the seafarers originally recruited and processed by Skippers for the vessel M/V Orionis. For this reason, Orlanes was therefore correct in impleading Global as party respondent in the *first* complaint together with Skippers, the original manning agent, and Fairport, as foreign principal.

However, in this case, there was a second transfer, which resulted (albeit