

THIRD DIVISION

[G.R. No. 127004, March 11, 1999]

**NATIONAL STEEL CORPORATION, PETITIONER, VS. THE
REGIONAL TRIAL COURT OF LANA O DEL NORTE, BRANCH 2,
ILIGAN CITY AND E. WILLKOM ENTERPRISES, INC.,
RESPONDENTS.**

D E C I S I O N

PURISIMA, J.:

Before the Court is a Petition for *Certiorari* with Prayer for Preliminary Injunction & Temporary Restraining Order under Rule 65 of the Revised Rules of Court assailing the decision of the Regional Trial Court of Lanao del Norte, Branch 2, Iligan City, on the following consolidated cases :

(a) Special Proceeding Case No. 2206 entitled National Steel Corporation vs E. Willkom Enterprise Inc to Vacate Arbitrators Award; and;

(b) Civil Case No. 2198 entitled to E. Willkom Enterprises Inc. vs National Steel Corporation for Sum of Money with application for Confirmation of Arbitrators Award.

The facts as found below are, as follows:

"xxx On Nov. 18, 1992, petitioner-defendant Edward Wilkom Enterprises Inc. (EWEI for brevity) together with one Ramiro Construction and respondent-petitioner National Steel Corporation (NSC for short) executed a contract whereby the former jointly undertook the Contract for Site Development (Exhs. "3" & "D") for the latter's Integrated Iron and Steel Mills Complex to be established at Iligan City.

Sometime in the year 1983, the services of Ramiro Construction was terminated and on March 7, 1983, petitioner-defendant EWEI took over Ramiro's contractual obligation. Due to this and to other causes deemed sufficient by EWEI, extensions of time for the termination of the project, initially agreed to be finished on July 17, 1983, were granted by NSC.

Differences later arose, Plaintiff-defendant EWEI filed Civil Case No. 1615 before the Regional Trial Court of Lanao del Norte, Branch 06, (Exhs. "A" and "1") praying essentially for the payments of P458,381.001 with interest from the time of delay; the price adjustment as provided by PD 1594; and exemplary damages in the amount of P50,000.00 and attorney's fees.

Defendant-petitioner NSC filed an answer with counterclaim to plaintiff's complaints on May 18, 1990.

On August 21, 1990, the Honorable Court through Presiding Judge Valario M. Salazar upon joint motion of both parties had issued an order (Exhs. "C" and "3") dismissing the said complaint and counterclaim x x x in view of the desire of both parties to implement Sec. 19 of the contract, providing for a resolution of any conflict by arbitration x x x . (underscoring supplied).

In accordance with the aforesaid order, and pursuant to Sec. 19 of the Contract for Site Development (id) the herein parties constituted an Arbitration Board composed of the following:

(a) Engr. Pafnucio M. Mejia as Chairman, who was nominated by the two arbitrators earlier nominated by EWEI and NSC with an Oath of Office (Exh. "E");

(b) Engr. Eutaquio O. Lagapa, Jr., member, who was nominated by EWEI with an oath office (Exh. "F")

(c) Engr. Gil A. Aberilia, a member who was nominated by NSC, with an Oath of Office (Exh. "G").

After series of hearings, the Arbitrators rendered the decision (Exh. "H" & "4") which is the subject matter of these present causes of action, both initiated separately by the herein contending parties, substantial portion of which directs NSC to pay EWEI, as follows:

(a) P458,381.00 representing EWEI's last billing No. 16 with interest thereon at the rate of 1-1/4% per month from January 1, 1985 to actual date of payment;

(b) P1,335,514.20 representing price escalation adjustment under PD No. 1594, with interest thereon at the rate of 1-1/4 % per month from January 1, 1985 to actual date of payment;

(c) P50,000 as and for exemplary damages;

(d) P350,000 as and for attorney's fees.; and

(e) P35,000.00 as and for cost of arbitration."^[1]

The Regional Trial Court of Lanao del Norte Branch 2, Iligan City through Judge Maximo B. Ratunil, rendered judgment as follows:

(1) In Civil Case No. 11-2198, declaring the award of the Board of Arbitrators, dated April 21, 1992 to be duly AFFIRMED and CONFIRMED "en toto" ; that an entry of judgment be entered therewith pursuant to Republic Act No. 876 (the Arbitration Law); and costs against respondent National Steel Corporation.

(2) In Special Proceeding No. 11-2206, ordering the petition to vacate the aforesaid award be DISMISSED.

SO ORDERED.^[2] "

With the denial on October 18, 1996 of its Motion for Reconsideration, the National Steel Corporation (NSC) has come to this court via the present petition.

After deliberating on the petition as well as the comment and reply thereon, the court gave due course to the petition and considered the case ripe for decision.

The pivot of inquiry here is whether or not the lower court acted with grave abuse of discretion in not vacating the arbitrator's award.

A stipulation to refer all future disputes or to submit an ongoing dispute to an arbitrator is valid. Republic Act 876, otherwise known as the Arbitration Law, was enacted by Congress since there was a growing need for a law regulating arbitration in general.

The parties in the present case, upon entering into a Contract for Site Development, mutually agreed that any dispute arising from the said contract shall be submitted for arbitration. Explicit is Paragraph 19 of subject contract, which reads:

"Paragraph 19. ARBITRATION. All disputes questions or differences which may at any time arise between the parties hereto in connection with or relating to this Agreement or the subject matter hereof, including questions of interpretation or construction, shall be referred to an Arbitration Board composed of three (3) arbitrators, one to be appointed by each party, and the third, to be appointed by the two (2) arbitrators. The appointment of arbitrators and procedure for arbitration shall be governed by the provisions of the Arbitration Law (Republic Act No. 876). The Board shall apply Philippine Law in adjudicating the dispute. The decision of a majority of the members of the Arbitration Board shall be valid, binding, final and conclusive upon the parties, and from which there will be no appeal, subject to the provisions on vacating, modifying, or correcting an award under the said Republic Act No. 876.^[3]

Thereunder, if a dispute should arise from the contract, the Arbitration Board shall assume jurisdiction and conduct hearings. After the Board comes up with a decision, the parties may immediately implement the same by treating it as an amicable settlement. However, if one of the parties refuses to comply or is dissatisfied with the decision, he may file a Petition to Vacate the Arbitrator's decision before the trial court. On the other hand, the winning party may ask the trial court's confirmation to have such decision enforced.

It should be stressed that voluntary arbitrators, by the nature of their functions, act in a quasi-judicial capacity.^[4] As a rule, findings of facts by quasi-judicial bodies, which have acquired expertise because their jurisdiction is confined to specific matters, are accorded not only respect but even finality if they are supported by substantial evidence,^[5] even if not overwhelming or preponderant.^[6] As the petitioner has availed of Rule 65, the Court will not review the facts found nor even of the law as interpreted or applied by the arbitrator unless the supposed errors of facts or of law are so patent and gross and prejudicial as to amount to a grave abuse of discretion or an *excess de pouvoir* on the part of the arbitrators.^[7]

Thus, in a Petition to Vacate Arbitrator's Decision before the trial court, regularity in the performance of official functions is presumed and the complaining party has the burden of proving the existence of any of the grounds for vacating the award, as provided for by Sections 24 of the Arbitration Law, to wit:

"Sec. 24 GROUNDS FOR VACATING THE AWARD - In any one of the following cases, the court must make an order vacating the award upon the petition of any party to the controversy when such party proves affirmatively that in the arbitration proceedings:

- (a) The award was procured by corruption, fraud or other undue means;
- (b) That there was evident partiality or corruption in the arbitrators of any of them; or
- (c) That the arbitrators were guilty of misconduct in refusing to postpone the hearing upon sufficient cause shown, or in refusing to hear evidence pertinent and material to the controversy; that one or more of the arbitrators was disqualified to act as such under section nine hereof, and wilfully refrained from disclosing such disqualification or of any other misbehavior by which the rights of any party have been materially prejudiced; or
- (d) That the arbitrators exceeded their powers, or so imperfectly executed them, that a mutual, final and definite award upon the subject matter submitted to them was not made. xxx"

The grounds relied upon by the petitioner were the following (a) That there was evident partiality in the assailed decision of the Arbitrators in favor of the respondent; and (b) That there was mistaken appreciation of the facts and application of the law by the Arbitrators. These were the very same grounds alleged by NSC before the trial court in their Petition to Vacate the Arbitration Award and which petitioner is reiterating in this petition under scrutiny.

Petitioner's allegation that there was evident partiality is untenable. It is anemic of evidentiary support.

In the case of *Adamson vs. Court of Appeals*, 232 SCRA 602, in upholding the decision of the Board of Arbitrators, this Court ruled that the fact that a party was disadvantaged by the decision of the Arbitration Committee does not prove evident partiality. Proofs other than mere inference are needed to establish evident partiality. Here, petitioner merely averred evident partiality without any proof to back it up. Petitioner was never deprived of the right to present evidence nor was there any showing that the Board showed signs of any bias in favor of EWEI. As correctly found by the trial court:

"Thirdly, this Court cannot find its way to support NSC's contention that there was evident partiality in the assailed Award of the Arbitrator in favor of the respondent because the conclusion of the Board, which the Court found to be well-founded, is fully supported by substantial evidence, as follows:

"xxx The testimonies of witnesses from both parties were heard to clarify facts and to thresh (sic) out the dispute in the hearings. Upon motion by NSC counsel, the hearing of testimony from witnesses was terminated on 22 January 1992. To end the testimonies in the hearing both litigant parties upon query by Arbitrator-Chairman freely declared that there has been no partiality in the manner the Arbitrators conducted the hearing, that there has been no instance, where Arbitrators refused to postpone requested or to hear/accept evidence pertinent and material to the dispute. xxx (underscoring supplied)

Parentethically, and in the light of the record above-mentioned, this Court hereby holds that the Board of Arbitrators did not commit any 'evident partiality' imputed by petitioner NSC. Above all, this Court must sustain the said decision for it is a well settled rule that the actual findings of an administrative body should be affirmed if there is substantial evidence to support them and the conclusions stated in the decision are not clearly against the law and jurisprudence similar to the instant case. Henceforth, every reasonable intendment will be indulged to give effect such proceedings and in favor of the regulatory and integrity of the arbitrators act. (Corpus Juris, Vol. 5, p. 20)"^[8]

Indeed, the allegation of evident partiality is not well-taken because the petitioner failed to substantiate the same.

Anent the issue of mistaken appreciation of facts and law of the case, the petitioner theorizes that the awards made by the Board were unsubstantiated and the same were a plain misapplication of the law and even contrary to jurisprudence. To have a clearer understanding of the petition, this Court will try to discuss individually the awards made by the Board, and determine if there was grave abuse of discretion on the part of the trial court when it adopted such awards *in toto*.

***1. P458,381.00 representing
EWEI's last billing No. 16 with
interest thereon at the rate of 1
1/4% per month from January 1,
1985 to actual date of payment;***

Petitioner seeks to bar payment of the said amount to EWEI. Since the latter failed to complete the works as agreed upon, NSC had the right to withhold such amount. The same will be used to cover the cost differential paid to another contractor who finished the work allegedly left uncompleted by EWEI. Said work cost NSC P1,225,000, and should be made chargeable to EWEI's receivables on Final Billing No. 16 issued to NSC.

The query here therefore is whether there was failure on the part of EWEI to complete the work agreed upon. This will determine whether Final Billing No. 16 can be made chargeable to the cost differential paid by NSC to another contractor.

After a series of hearings, the Board of Arbitrators concluded that the work was completed by EWEI. As correctly stated: