

## SECOND DIVISION

[ G.R. No. 106516, September 21, 1999 ]

**PANTRANCO NORTH EXPRESS, INC., PETITIONER VS. THE HON. NATIONAL LABOR RELATIONS COMMISSION (NLRC), SECOND DIVISION AND ALFONSO AYENTO, SR., RESPONDENTS.**

### DECISION

**QUISUMBING, J.:**

Assailed in this special civil action for certiorari are the Resolutions of the National Labor Relations Commission (NLRC), in NLRC CA No. 1877-91 entitled *Alfonso Ayento Sr., vs. Pantranco North Express, Inc.*,<sup>[1]</sup> promulgated on July 22, 1992 and the Resolution dated August 10, 1992, denying the subsequent Motion for Reconsideration.<sup>[2]</sup> The dated July 22, 1992 Resolution affirmed the decision<sup>[3]</sup> dated April 2, 1991 of the Labor Arbiter in NLRC NCR NO. 00-01-00324-90 restoring private respondent Ayento in his previous position as head of the Registration Section of Pantranco.

A brief corporate history of petitioner with emphasis on its financial decline, up to the time of the reorganization is in order, to appreciate the instant petition.

Petitioner is a government-owned and controlled corporation without original charter. It provided transportation services to the public. In 1972, it incurred huge financial losses despite attempts at rehabilitation and loan infusion. The company continued to decline. Sometime in March 1975, its creditors took over the management of the company. By 1978, petitioner transferred its full ownership to one of the creditors, the National Investment Development Corporation (NIDC), a subsidiary of the Philippine National Bank. In 1985, NIDC sold the company to North Express Transport Inc. (NETI), a company owned by Gregorio Araneta III. In 1986, the Presidential Commission on Good Government (PCGG) began sequestering shares and assets of corporations which were anomalously transferred to private parties to the prejudice of the government, among them the petitioner. In March 1986, the PCGG Management Committee, assumed control of Pantranco. By January 1988, PCGG lifted the sequestration order to pave the way for the sale of the company back to the private sector through the Asset Privatization Trust (APT). APT then turned over the management of the company to the Department of Transportation and Communication. At this time, the company's financial standing was already in a dismal state. Unpaid liabilities to creditors and suppliers continued to accumulate. As of December 31, 1991, losses from operations were double the losses incurred in the previous year. In 1992, petitioner company then filed its application with the Securities and Exchange Commission for the creation of a management committee. In August of the same year, the application was granted and, with no objection from the creditors, a rehabilitation program was approved. With the creation of a Management Committee, the SEC ordered a suspension of all actions for claims against petitioner pending before any court, tribunal, or board.<sup>[4]</sup>

In April 1987, Pantranco implemented a job classification program for purposes of manpower reduction. Under the old job classification of employees, salaries ranged from salary grades 1 to 23. In the new program, the salary grades were reclassified. The two (2) salary grade schemes are shown below:[5]

RANK / POSITION	SALARY GRADE	
	OLD	NEW
Officers	15 to 23	13 to 19
Supervisors	12 to 14	10 to 12
Technical Assistant	11	9
Rank & File	1 to 10	1 to 8

Private respondent, Ayento, was an employee of petitioner from May 5, 1958. He started as a filing clerk and promoted to Head Registration Section on April 1, 1982. Private respondent's position as Head of the Registration Section had a Salary Grade of 11-R-5 with a basic salary of P1,320.00. Based on his Salary Grade of 11, private respondent's ranking was that of a Technical Assistant. With the company's reorganization, positions were reclassified and restructured. Private respondent's position was abolished. Consequently, he was appointed as Registration Assistant with a Salary Grade of 9-R-2. The basic salary was increased from P1,320.00 to P1,855.00. As a Registration Assistant, he actually was relieved of his supervisory function, no longer had any field work, nor entitled to overtime pay averaging from P700.00 to P800.00. His representation expenses and discretionary funds of P1,000.00 were also cancelled. He received instead a fixed amelioration allowance of P350.00.

On January 16, 1990, private respondent filed a Complaint against petitioner for unfair labor practice. It specifically alleged demotion of position and diminution of salary and benefits. Respondent company, on the other hand, argued that there was no demotion but a job-reclassification where petitioner's position was abolished due to the company's financial problems.

The Labor Arbiter ruled in favor of private respondent stating that as a result of the reorganization, private respondent indeed was demoted. His supervisory functions were also removed, his salary grade lowered and his other benefits withdrawn. Petitioner was ordered to restore private respondent to his previous position with all the previous benefits it offered.[6]

Pertinent portions of the Labor Arbiter's Decision read:

"Obviously, there was a demotion in the case of the complainant. From being Head of the Registration Section with salary grade classification SG-11 Grade 5, he became a Registration Assistant in the same section with salary grade classification SG-9, Grade 2. Admittedly, his basic salary was raised from P1,320 to P1,855.00 per month, however, there were benefits previously enjoyed that were withdrawn like, overtime, (P700 to P800 a month) which even the grant of P350 in the amelioration fund cannot upset. The discretionary allowance of P1,000.00 can not be enjoyed because it is given only to the head of the section of which the

complainant is no longer the one. The representation allowance was also withdrawn, although, he performs functions needing such privilege.

Of far reaching effect, was the loss of his supervisory functions. Whereas, as head of section, he exercised supervisory authority over the personnel of the section, now, he is merely an ordinary staff, receiving orders from the one who has replaced him. Rectification is in order.

WHEREFORE, the respondent is hereby ordered to restore the complainant as Head of the Registration Section, together with the benefits and authorities pertaining to the position. The respondent must likewise pay the complainant such monetary benefits he would have enjoyed as Head of the Registration Section but were denied by virtue of the program, since, April 1987.”<sup>[7]</sup>

The NLRC affirmed the labor arbiter’s decision.<sup>[8]</sup> It said:

“In instances of reorganization, where positions may be abolished, merged or created, care must be exercised in order that workers/employees are not displaced and demoted.

Well settled is the rule that this prerogative of management, the matter of reorganization is not absolute. In other words it is regulated by laws.

Definitely, in the particular instance there is a demotion in rank and diminution of benefits, akin to the complainant being penalized, without showing any reasons or causes for such management action and the proper observance of due process.

Indeed, if this management action is imprinted without approval, what can stop management, in the guise of reorganization, demote and/or reduce workers benefits by circumventing the laws on the mere expediency of reorganization.

In this case we find no grave abuse of discretion tantamount to lack of jurisdiction attributable to the Labor Arbiter a quo in rendering the assailed decision, he (Labor Arbiter a quo) having discussed the position arguments and evidence which he considers relevant to the issue in this case in the questioned decision.

WHEREFORE, premises considered, the impugned decision is hereby AFFIRMED and the appeal DISMISSED.”

In this special civil action, petitioner raises two grounds for consideration of this Court. It claims that:

1. RESPONDENT NLRC, SECOND DIVISION, COMMITTED GRAVE ABUSE OF DISCRETION WHEN IT AFFIRMED THE DECISION OF THE LABOR ARBITER THAT WAS UNSUPPORTED BY SUBSTANTIAL AND CREDIBLE EVIDENCE ON RECORD.