Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

CAGAYAN ELECTRIC POWER & LIGHT COMPANY, INC. (CEPALCO) and CEPALCO ENERGY SERVICES CORPORATION (CESCO), formerly CEPALCO ENERGY SERVICES & TRADING CORPORATION (CESTCO),

Petitioners,

- versus -

CEPALCO EMPLOYEE'S LABOR UNION-ASSOCIATED LABOR UNIONS-TRADE UNION CONGRESS OF THE PHILIPPINES (TUCP),

Respondent.

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CAGAYAN ELECTRIC POWER & LIGHT COMPANY, INC. (CEPALCO) and CEPALCO ENERGY SERVICES CORPORATION (CESCO), formerly CEPALCO ENERGY SERVICES & TRADING CORPORATION (CESTCO),

Petitioners,

- versus -

CEPALCO EMPLOYEE'S LABOR UNION-ASSOCIATED LABOR UNIONS-TRADE UNION CONGRESS OF THE PHILIPPINES (TUCP),

Respondent.

G.R. No. 211015

G.R. No. 213835

Present:

SERENO, *C.J.,* Chairperson,
LEONARDO-DE CASTRO,
BERSAMIN,
PERLAS-BERNABE, and
CAGUIOA, *JJ.*

Promulgated:

JUN 20 2016

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DECISION

PERLAS-BERNABE, *J.*:

Before the Court are petitions for review on *certiorari*[1] which assail: (*a*) in G.R. No. 211015, the Decision[2] dated September 14, 2012 and the Resolution[3] dated January 15, 2014 of the Court of Appeals (CA) in CA-G.R. SP No. 03169-MIN; and (*b*) in G.R. No. 213835, the Decision[4] dated November 11, 2013 and the Resolution[5] dated July 17, 2014 of the CA in CA-G.R. SP No. 04296-MIN. In both cases, the CA absolved herein petitioners Cagayan Electric Power & Light Company, Inc. (CEPALCO) and CEPALCO Energy Services Corporation (CESCO), formerly CEPALCO Energy Services & Trading Corporation,[6] from the charges of Unfair Labor Practice (ULP) filed by herein respondent CEPALCO Employee's Labor Union-Associated Labor Unions-Trade Union Congress of the Philippines (respondent), but nonetheless, pronounced that CESCO was engaged in labor-only contracting and that, in consequence, the latter's employees are actually the regular employees of CEPALCO in the same manner and extent as if they were directly employed by CEPALCO.

The Facts

Respondent is the duly certified bargaining representative of CEPALCO's regular rank-and-file employees. On the other hand, CEPALCO is a domestic corporation engaged in electric distribution in Cagayan de Oro and other municipalities in Misamis Oriental; while CESCO is a business entity engaged in trading and services.[7]

On February 19, 2007, CEPALCO and CESCO (petitioners) entered into a Contract for Meter Reading Work[8] where CESCO undertook to perform CEPALCO's ***meter-reading*** **activities**. As a result, several employees and union members of CEPALCO were relieved, assigned in floating positions, and replaced with CESCO workers, [9] prompting

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1 *Rollo* (G.R. No. 211015), pp. 433-470; *rollo* (G.R. No. 213835), pp. 9-48.

2 *Rollo* (G.R. No. 211015), pp. 488-505. Penned by Associate Justice Marilyn B. Lagura-Yap with Associate Justices Edgardo A. Camello and Renato C. Francisco concurring.

3 Id. at 506-507. Penned by Associate Justice Renato C. Francisco with Associate Justices Edgardo A. Camello and Edward B. Contreras concurring.

4 *Rollo* (G.R. No. 213835), pp. 50-59. Penned by Associate Justice Renato C. Francisco with Associate Justices Oscar V. Badelles and Edward B. Contreras concurring.

5 Id. at 60. Penned by Associate Justice Edward B. Contreras with Associate Justice Oscar V. Badelles and Rafael Antonio M. Santos concurring.

6 Referred to as "CESTCO" in some parts of the records.

7 *Rollo* (G.R. No. 211015), pp. 489 and 661-662.

8 Said contract was made effective on March 1, 2007; see id. at 572-574.

9 Id. at 584.

respondent to file a complaint[10] for ULP against petitioners, docketed as **NLRC Case No. RAB-10-07-00408-2007**. Respondent alleged that when CEPALCO engaged CESCO to perform its meter-reading activities, its intention was to evade its responsibilities under the Collective Bargaining Agreement (CBA) and labor laws, and that it would ultimately result in the dissipation of respondent's membership in CEPALCO.[11] Thus, respondent claimed that CEPALCO's act of contracting out services, which used to be part of the functions of the regular union members, is violative of Article 259 (c)[12] of the Labor Code, as amended,[13] governing ULP of employers. It further averred that for engaging in labor-only contracting, the workers placed by CESCO must be deemed regular rank-and-file employees of CEPALCO, and that the Contract for Meter Reading Work be declared null and void.[14]

In defense,[15] petitioners averred that CESCO is an independent job contractor and that the contracting out of the meter-reading services did not interfere with CEPALCO's regular workers' right to self-organize, denying that none of respondent's members was put on floating status.[16] Moreover, they argued that the case is only a labor standards issue, and that respondent is not the proper party to raise the issue regarding the status of CESCO's employees and, hence, cannot seek that the latter be declared as CEPALCO's regular employees.[17]

In a Decision[18] dated August 20, 2008, the Labor Arbiter (LA) dismissed the complaint for lack of merit. The LA found that petitioners have shown by substantial evidence that CESCO carries on an independent business of contracting services, in this case for CEPALCO's meter-reading work, and that CESCO has an authorized capital stock of ₱100,000,000.00, as well as equipment and materials necessary to carry out its business.[19] As an independent contractor, CESCO is the statutory employer of the workers it supplied to CEPALCO pursuant to their contract.[20] Thus, there is no factual basis to say that CEPALCO committed ULP as there can be no splitting or erosion of the existing rank-and-file bargaining unit that negates

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10 Dated July 9, 2007. Id. at 583-588. The Complaint states in full that it is "For: Unfair Labor Practice, Violation of Department Order No. 3, Series of 2001 (Labor-Only-Contracting and engaging in prohibited activities), Damages and Attorney's Fees."

11 Id. at 584-585.

12 Formerly Article 248 (c) of the Labor Code.

13 See Department of Labor and Employment Department Advisory No. 01, Series of 2015, entitled "RENUMBERING OF THE LABOR CODE OF THE PHILIPPINES, AS AMENDED," approved on July 21, 2015.

14 *Rollo* (G.R. No. 211015), p. 586.

15 See position paper dated December 21, 2007; id. at 589-608.

16 Id. at 599.

17 Id. at 605-606.

18 Id. at 622-627. Penned by Executive Labor Arbiter Bario-Rod M. Talon.

19 Id. at 626.

20 Id.

interference with the exercise of CEPALCO workers' right to self-organize.[21]

On appeal[22] by respondent, the National Labor Relations Commission (NLRC), in a Decision[23] dated April 30, 2009, affirmed the LA's ruling *in toto*, finding that the evidence proffered by respondent proved inadequate in establishing that the service contract amounted to the interference of the right of the union members to self-organization and collective bargaining.[24]

Respondent's motion for reconsideration [25] was denied in a Resolution[26] dated June 30, 2009; hence, it filed a petition for *certiorari*[27] before the CA, docketed as **CA-G.R. SP No. 03169-MIN**.

Pending resolution of **CA-G.R. SP No. 03169-MIN**, or on January 5, 2010, CEPALCO and CESCO entered into another Contract of Service,[28] this time for the ***warehousing* works** of CEPALCO. Alleging that three (3) union members who were assigned at the warehouse of the logistics department were transferred to other positions and departments without their conformity and, eventually, were replaced by workers recruited by CESCO, respondent filed another complaint[29] for ULP against petitioners, docketed as **NLRC Case No. RAB-10-12-00602-2009**, similarly decrying that CEPALCO was engaged in labor-only contracting and, thus, committed ULP.[30]

As in the first case against them, petitioners posited[31] that CEPALCO did not engage in ULP when it contracted out its warehousing works[32] and that CESCO is an independent contractor.[33] They further reiterated their argument that respondent is not the proper party to seek any form of relief for the CESCO employees.[34]

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21 Id. at 627.
22 See Notice and Memorandum of Appeal dated September 11, 2008; id. at 628-641.
23 Id. at 661-666. Penned by Commissioner Dominador B. Medroso, Jr. with Presiding Commissioner Salic B. Dumarpa concurring. Commissioner Proculo T. Sarmen took no part.
24 Id. at 664.
25 Dated June 5, 2009. Id. at 667-675.
26 Id. at 685-686.
27 Dated September 25, 2009. Id. at 700-726.
28 "To Perform Warehousing Works." *Rollo* (G.R. No. 213835), pp. 103-107. The contract was notarized on January 5, 2010 (see id. at 107).
29 Dated December 10, 2009. Id. at 125-130. The Complaint states in full that it is: "For: Unfair Labor Practice (Union busting), Illegal Lock-out, Violation of Department Order No. 18-02, Rules Implementing Articles 106-109 of the Labor Code (Labor-Only-Contracting and engaging in prohibited activities)."
30 Id. at 128-129.
31 See Position Paper dated July 13, 2010; id. at 149-173.
32 Id. at 159.
33 Id. at 162.
34 Id. at 166.

In a Decision[35] dated July 29, 2010, the LA dismissed the case for lack of merit, citing its earlier decision in **NLRC Case No. RAB-10-07-00408-2007**. It explained that the only difference between the previous case and the present case was that in the former, CEPALCO contracted out its meter-reading activities, while in the latter, it contracted out its warehousing works. However, both cases essentially raised the same issue between the same parties, i.e., whether or not the contracting out of services being performed by the union members constitute ULP.[36] As such, the NLRC applied the principle of *res judicata* under the rule on conclusiveness of judgment and dismissed the complaint for ULP.[37] At any rate, it found that respondent failed to present substantial evidence that CEPALCO's contracting out of the warehousing works constituted ULP.[38]

On appeal[39] by respondent, the NLRC, in a Resolution[40] dated February 21, 2011, dismissed the appeal and affirmed the LA's ruling *in toto*. Respondent's motion for reconsideration[41] was denied in a Resolution[42] dated April 15, 2011; hence, it elevated the matter to the CA *via* petition for *certiorari*,[43] docketed as **CA-G.R. SP No. 04296-MIN**.

The Ruling in CA-G.R. SP No. 03169-MIN

In a Decision[44] dated September 14, 2012, the CA partially granted respondent's *certiorari* petition and reversed and set aside the assailed NLRC issuances.

Preliminarily, the CA found that CESCO was engaged in labor-only contracting in view of the following circumstances: (*a*) there was absolutely no evidence to show that CESCO exercised control over its workers, as it was CEPALCO that established the working procedure and methods, supervised CESCO's workers, and evaluated them;[45] (*b*) there is no substantial evidence to show that CESCO had substantial capitalization as it only had a paid-up capital of ₱51,000.00 as of May 30, 1984, and there was nothing on CESCO's list of machineries and equipment that could have been used for the performance of the meter-reading activities contracted out to it;[46] and (*c*) the workers of CESCO performed activities that are directly

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35 Id. at 175-181. Penned by Labor Arbiter Rammex C. Tiglao.
36 Id. at 179.
37 Id.
38 Id. at 180.
39 See Notice and Memorandum of Appeal dated August 31, 2010; id. at 182-197.
40 Id. at 200-206. Penned by Commissioner Dominador B. Medroso, Jr. with Presiding Commissioner Violeta O. Bantug and Commissioner Aurelio D. Menzon concurring.
41 Not attached to the records of these cases.
42 *Rollo* (G.R. No. 213835), pp. 208-209.
43 Dated July 5, 2011. Id. at 210-231.
44 *Rollo* (G.R. No. 211015), pp. 488-505.
45 Id. at 497.
46 Id. at 499-500.

related to CEPALCO's main line of business.[47] Moreover, while CESCO presented a Certificate of Registration[48] with the Department of Labor and Employment, the CA held that it was not a conclusive evidence of CESCO's status as an independent contractor.[49] Consequently, the workers hired by CESCO pursuant to the service contract for the meter-reading activities were declared regular employees of CEPALCO.[50]

However, the CA found no substantial evidence that CEPALCO was engaged in ULP, there being no showing that when it contracted out the meter-reading activities to CESCO, CEPALCO was motivated by ill will, bad faith or malice, or that it was aimed at interfering with its employees' right to self-organize.[51]

Petitioners' motion for reconsideration[52] was denied in a Resolution[53] dated January 15, 2014; hence, the present petition docketed as **G.R. No. 211015**.

The Ruling in CA-G.R. SP No. 04296-MIN

In a Decision[54] dated November 11, 2013, the CA partially granted respondent's petition, finding that CESCO was a labor-only contractor as it had no substantial capitalization, as well as tools, equipment, and machineries used in the work contracted out by CEPALCO.[55] As such, it stated that CESCO is merely an agent of CEPALCO, and that the latter is still responsible to the workers recruited by CESCO in the same manner and extent as if those workers were directly employed by CEPALCO.[56]

Nonetheless, same as the ruling in **CA-G.R. SP No. 03169-MIN**, the CA found that CEPALCO committed no ULP for lack of substantial evidence to establish the same.[57]

Petitioners' motion for reconsideration[58] was denied in a Resolution[59] dated July 17, 2014; hence, the present petition docketed as **G.R. No. 213835**.

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47 Id. at 501.
48 See Certificate of Registration Numbered X-05-09-010; id. at 545.
49 Id. at 501.
50 Id. at 504-505.
51 Id. at 503-504.
52 Not attached to the records of these cases.
53 *Rollo* (G.R. No. 211015), pp. 506-507.
54 *Rollo* (G.R. No. 213835), pp. 50-59.
55 Id. at 56-57.
56 Id. at 58.
57 Id.
58 Not attached to the records of these cases.
59 *Rollo* (G.R. No. 213835), p. 60.

The Issues Before the Court

In both **G.R. Nos. 211015** and **213835**,[60] petitioners lament that the CA erred in declaring CESCO as a labor-only contractor notwithstanding the fact that CEPALCO has already been absolved of the charges of ULP. To this, petitioners argue that the issue of whether or not CESCO is an independent contractor was mooted by the finality of the finding that there was no ULP on the part of CEPALCO.[61] Also, they aver that respondent is not a party-in-interest in this issue because the declaration of the CA that the employees of CESCO are considered regular employees will not even benefit the respondent.[62] If there is anyone who stands to benefit from such rulings, they are the employees of the CESCO who are not impleaded in these cases. In any event, petitioners insist that CESCO is a legitimate contractor. Overall, they prayed that the assailed CA rulings be reversed and set aside insofar as the CA found CESCO as engaged in labor-only contracting and that its employees are actually the regular employees of CEPALCO.[63]

The Court's Ruling

The petitions are partly meritorious.

At the outset, it is well to note that the status of CESCO as a labor-only contractor was raised in respondent's complaints before the labor tribunals only in relation to the charges of ULP. In particular, respondent, in its complaint in **NLRC Case No. RAB-10-07-00408-2007**, mainly argued that the "[labor-only] contracting agreement between CEPALCO and [CESCO] discriminates regular union member employees and will ultimately result in the dissipation of its ranks in the line maintenance and construction department."[64] This is similar to the thrust of its complaint in **NLRC Case No. RAB-10-12-00602-2009**, wherein they averred that "the [labor-only] contracting arrangement between CEPALCO and [CESCO] discriminates union members and restrains or coerces employees in the exercise of their rights to [self-organization] and collective bargaining[,] and amounts to union busting."[65] As the LA in the latter case aptly observed, "the essential issue between the same parties remain[s] identical: whether the contracting out of activities or services being performed by [u]nion members constitute [ULP]."[66]

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60 These cases were consolidated in the Court's Resolution dated November 12, 2014. See *rollo* (G.R. No. 211015), pp. 837-838; and *rollo* (G.R. No. 213835), pp. 321-322.
61 See *rollo* (G.R. No. 211015), p. 456; and *rollo* (G.R. No. 213835), p. 38.
62 See *rollo* (G.R. No. 211015), p. 454; and *rollo* (G.R. No. 213835), p. 37.
63 See *rollo* (G.R. No. 211015), p. 469; and *rollo* (G.R. No. 213835), p. 42.
64 *Rollo* (G.R. No. 211015), p. 585.
65 *Rollo* (G.R. No. 213835), p. 128.
66 Id. at 179.

Under Article 106[67] of the Labor Code, as amended, labor-only contracting is an arrangement where the contractor, who does not have substantial capital or investment in the form of tools, equipment, machineries, work premises, among others, supplies workers to an employer and the workers recruited are performing activities which are directly related to the principal business of such employer. **Section 5 of Department Order No. 18-02, Series of 2002, otherwise known as the "Rules Implementing Articles 106 to 109 of the Labor Code, As Amended" (DO 18-02), provides the following criteria to gauge whether or not an arrangement constitutes labor-only contracting:**

> ***Section 5. Prohibition against labor-only contracting.*** Labor-only contracting is hereby declared prohibited. For this purpose, labor-only contracting shall refer to an arrangement where the contractor or subcontractor merely recruits, supplies or places workers to perform a job, work or service for a principal, and any of the following elements are present:
>
> **i) The contractor or subcontractor does not have substantial capital or investment which relates to the job, work or service to be performed and the employees recruited, supplied or placed by such contractor or subcontractor are performing activities which are directly related to the main business of the principal; or**
>
> **ii) the contractor does not exercise the right to control over the performance of the work of the contractual employee.**
>
> The foregoing provisions shall be without prejudice to the application of Article 248 (C) of the Labor Code, as amended.
>
> "Substantial capital or investment" refers to capital stocks and subscribed capitalization in the case of corporations, tools, equipment, implements, machineries and work premises, actually and directly used by the contractor or subcontractor in the performance or completion of the job, work or service contracted out.

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[67] Art. 106. *Contractor or Sub-contractor.* – Whenever an employer enters into a contract with another person for the performance of the former's work, the employees of the contractor and of the latter's sub-contractor, if any, shall be paid in accordance with the provisions of this Code.

In the event that the contractor or sub-contractor fails to pay the wages of his employees in accordance with this Code, the employer shall be jointly and severally liable with his contractor or sub-contractor to such employees to the extent of the work performed under the contract, in the same manner and extent that he is liable to employees directly employed by him.

The Secretary of Labor and Employment may, by appropriate regulations, restrict or prohibit the contracting out of labor to protect the rights of workers established under this Code. In so prohibiting or restricting, he may make appropriate distinctions between labor-only contracting and job contracting as well as differentiations within these types of contracting and determine who among the parties involved shall be considered the employer for purposes of this Code, to prevent any violation or circumvention of any provision of this Code.

There is "labor-only" contracting where the person supplying workers to an employer does not have substantial capital or investment in the form of tools, equipment, machineries, work premises, among others, and the workers recruited and placed by such person are performing activities which are directly related to the principal business of such employer. In such cases, the person or intermediary shall be considered merely as an agent of the employer who shall be responsible to the workers in the same manner and extent as if the latter were directly employed by him.

> The "right to control" shall refer to the right reserved to the person for whom the services of the contractual workers are performed, to determine not only the end to be achieved, but also the manner and means to be used in reaching that end. (Emphases supplied)

Labor-only contracting is considered as a form of ULP when the same is devised by the employer to "interfere with, restrain or coerce employees in the exercise of their rights to self-organization."[68] Article 259 of the Labor Code, as amended, which enumerates certain prohibited activities constitutive of ULP, provides:

> Article 259. *Unfair Labor Practices of Employers.* – It shall be unlawful for an employer to commit any of the following unfair labor practice:
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> x x x x
>
> (c) To contract out services or functions being performed by union members **when such will interfere with, restrain or coerce employees in the exercise of their rights to self-organization**.
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> x x x x (Emphasis and underscoring supplied)

The need to determine whether or not the contracting out of services (or any particular activity or scheme devised by the employer for that matter) was intended to defeat the workers' right to self-organization is impelled by the underlying concept of ULP. This is stated in Article 258 of the Labor Code, as amended, to wit:

> Article 258. *Concept of Unfair Labor Practice and Procedure for Prosecution Thereof.* – **Unfair labor practices violate the constitutional right of workers and employees to self-organization**, are inimical to the legitimate interests of both labor and management, **including their right to bargain collectively** and otherwise deal with each other in an atmosphere of freedom and mutual respect, disrupt industrial peace and hinder the promotion of healthy and stable labor-management relations.
>
> x x x x (Emphases and underscoring supplied)

Thus, in *Great Pacific Employees Union v. Great Pacific Life Assurance Corporation*,[69] the Court observed:

> There should be no dispute that all the prohibited acts constituting unfair labor practice in essence **relate to the workers' right to self-organization**. Thus, an employer may be held liable under this provision

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[68] See Article 259 (c) of the Labor Code, as amended.

[69] 362 Phil. 452 (1999).

> if his conduct affects in whatever manner the right of an employee to self-organize.[70]

Similarly, in *Bankard, Inc. v. NLRC*:[71]

> The Court has ruled that the prohibited acts considered as ULP relate to the workers' right to self-organization and to the observance of a CBA. **It refers to "acts that violate the workers' right to organize." Without that element, the acts, even if unfair, are not ULP**. Thus, an employer may only be held liable for unfair labor practice if it can be shown that his acts affect in whatever manner the right of his employees to self-organize.[72] (Emphasis and underscoring supplied)

In these cases, the Court agrees with the CA that CEPALCO was engaged in labor-only contracting as its Contract for Meter-Reading Work dated February 19, 2007 and Contract of Service To Perform Warehousing Works dated January 5, 2010 (subject contracts) with CESCO fit the criteria provided for in Section 5 of DO 18-02, as above-highlighted.

To be specific, petitioners failed to show that CESCO has substantial capital or investment which relates to the job, work or service to be performed. While it is true that: (*a*) CESCO's Amended Articles of Incorporation[73] as of November 26, 2008 shows that CESCO's authorized capital stock is ₱200,000,000.00 as of September 26, 2008,[74] which was increased from ₱100,000,000.00[75] on May 30, 2007; and (*b*) its financial statement[76] as of 2010 and 2011 shows that its paid-up capital stock is in the sum of ₱81,063,000.00,[77] there is no available document to show CESCO's authorized capital stock at the time of the **contracting out of CEPALCO's *meter-reading* activities** to CESCO on February 19, 2007. As it is, the increases in its authorized capital stock and paid-up capital were only made after November 26, 2008, hence, are only relevant with regard to the time CEPALCO contracted out its warehousing works to CESCO on January 5, 2010. Since the amount of CESCO's authorized capital stock at the time CEPALCO contracted out its meter-reading activities was not shown, the Court has no means of determining whether it had substantial capital at the time the contract therefor was entered into. Furthermore, the list[78] of CESCO's office equipment, furniture and fixtures, and vehicles offered in evidence by petitioners does not satisfy the requirement that they could have been used in the performance of the specific work contracted out, *i.e.*, meter-

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70 Id. at 464.
71 705 Phil. 428 (2013).
72 Id. at 437-438, citing *Culili v. Eastern Telecommunications Philippines, Inc.*, 657 Phil. 342, 367-368 (2011); and *General Santos Coca-Cola Plant Free Workers Union-Tupas v. Coca-Cola Bottlers Phils. Inc. (General Santos City)*, 598 Phil. 879, 885 (2009).
73 *Rollo* (G.R. No. 211015), pp. 522-530.
74 Id. at 525.
75 See Amended Articles of Incorporation as of August 29, 2007; id. at 515.
76 See General Form for Statement; id. at 532-540.
77 Id. at 535.
78 Id. at 546-547.

reading service. As the CA aptly pointed out,[79] the tools and equipment utilized by CESCO in the meter-reading activities are owned by CEPALCO, emphasizing the fact that CESCO has no basic equipment to carry out the service contracted out by CEPALCO.

It is also evident that meter-reading is a job that is directly related to the main business of CEPALCO, considering that the latter is an electric distribution utility,[80] which is necessarily tasked with the evaluation and appraisal of meters in order to bill its clients.

More significantly, records are devoid of evidence to prove that the work undertaken in furtherance of the meter-reading contract was made under the sole control and supervision of CESCO. Instead, as noted[81] by the CA, it was CEPALCO that established the working procedure and methods and supervised CESCO's workers in their tasks.

On the other hand, although it may be said that CESCO had substantial capital when CEPALCO contracted out its ***warehousing*** **works** on January 5, 2010, there is, however, lack of credible evidence to show that CESCO had the aforesaid substantial investment in the form of equipment, tools, implements, machineries, and work premises to perform the warehousing activities on its own account. Similarly, the job contracted out is directly related to CEPALCO's electric distribution business, which involves logistics, inventories, accounting, billing services, and other related operations. Lastly, same as above, no evidence has been offered to establish that CESCO exercised control with respect to the manner and methods of achieving the warehousing works, or that it supervised the workers assigned to perform the same.

The foregoing findings notwithstanding, the Court, similar to the CA and the labor tribunals, finds that CEPALCO's contracting arrangements with CESCO did not amount to ULP. This is because respondent was not able to present any evidence to show that such arrangements violated CEPALCO's workers' right to self-organization, which, as above-mentioned, constitutes the core of ULP. Records do not show that this finding was further appealed by respondent. **Thus, the complaints filed by respondent should be dismissed with finality**.

At this juncture, it should be made clear that the disposition of these cases should be limited only to the foregoing declaration. Again, the complaints filed by respondent were only for ULP. While there is nothing infirm in passing upon the matter of labor-only contracting since it was

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79 Id. at 500.
80 See id. at 435. See also *rollo* (G.R. No. 213835), p. 11.
81 *Rollo* (G.R. No. 211015), pp. 497-500.

vigorously litigated in these proceedings, the resolution of the same must only be read in relation to the charges of ULP. As earlier stated, labor-only contracting was invoked by respondent as a prohibited act under Article 259 (c) of the Labor Code, as amended. As it turned out, however, respondent failed to relate the arrangement to the defining element of ULP, *i.e.*, that it violated the workers' right to self-organization. Hence, being a preliminary matter actively argued by respondent to prove the charges of ULP, the same was not rendered moot and academic by the eventual dismissal of the complaints as an issue only becomes moot and academic if it becomes a "dead" issue, devoid of any practical value or use to be passed upon. In *Pormento v. Estrada*:[82]

> An action is considered "moot" when it no longer presents a justiciable controversy because the issues involved have become academic or dead or when the matter in dispute has already been resolved and hence, one is not entitled to judicial intervention unless the issue is likely to be raised again between the parties. There is nothing for the court to resolve as the determination thereof has been overtaken by subsequent events.[83]

For another, the Court also observes that while respondent did ask for the nullification of the subject contracts between petitioners, and even sought that the employees provided by CESCO to CEPALCO be declared as the latter's own employees, petitioners correctly argue that respondent is not a real party-in-interest and hence, had no legal standing insofar as these matters are concerned. This is because respondent failed to demonstrate how it stands to be benefited or injured by a judgment on the same, or that any personal or direct injury would be sustained by it if these reliefs were not granted. In *Joya v. Presidential Commission on Good Government*,[84] the Court explained:

> "Legal standing" means a personal and substantial interest in the case such that the party has sustained or will sustain direct injury as a result of the x x x act being challenged. The term "interest" is material interest, an interest in issue and to be affected by the decree, as distinguished from mere interest in the question involved, or a mere incidental interest. Moreover, the interest of the party plaintiff must be personal and not one based on a desire to vindicate the constitutional right of some third and unrelated party.[85]

If at all, it would be the employees of CESCO who are entitled to seek the foregoing reliefs since in cases of labor-only contracting, "the person or intermediary shall be considered merely as an agent of the employer who shall be responsible to the workers in the same manner and extent as if the latter were directly employed by him."[86] However, they have not been

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82 643 Phil. 735 (2010).
83 Id. at 739.
84 G.R. No. 96541, August 24, 1993, 225 SCRA 568.
85 Id. at 576.
86 See Article 106 of the Labor Code, as amended.

impleaded in these cases. Thus, as prayed for by petitioners, the Court must set aside the portions of the assailed CA Decisions declaring: (*a*) the workers hired by CESCO, pursuant to the contracts subject of these cases, as regular employees of CEPALCO; and (*b*) the latter responsible to said workers in the same manner and extent as if they were directly employed by it. This pronouncement not only squares with the rules on real party-in-interest and legal standing, but also with the precept that no one shall be affected by any proceeding to which he is a stranger, and that strangers to a case are not bound by any judgment rendered by the court.[87]

With the principal issues already resolved, the Court sees no need to delve into other ancillary issues that would have no effect to the conclusion of these cases.

WHEREFORE, the petitions are **PARTLY GRANTED**. The portions of the Decisions and Resolutions of the Court of Appeals (CA) in CA-G.R. SP No. 03169-MIN and CA-G.R. SP No. 04296-MIN declaring that the workers hired by CESCO, pursuant to the contracts subject of these cases, are regular employees of CEPALCO, and that the latter is responsible to said workers in the same manner and extent as if those workers were directly employed by CEPALCO are hereby **DELETED**. The rest of the CA Decisions stand.

SO ORDERED.

ESTELA M. PERLAS-BERNABE
Associate Justice

WE CONCUR:

MARIA LOURDES P. A. SERENO
Chief Justice

TERESITA J. LEONARDO-DE CASTRO
Associate Justice

LUCAS P. BERSAMIN
Associate Justice

[87] See *Green Acres Holdings, Inc. v. Cabral*, 710 Phil. 235, 251 (2013).

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the cases were assigned to the writer of the opinion of the Court's Division.

MARIA LOURDES P. A. SERENO
Chief Justice