Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

ASIA BREWERY, INC.,
Petitioner,

- versus -

TUNAY NA PAGKAKAISA NG MGA MANGGAGAWA SA ASIA (TPMA),
Respondent.

G.R. Nos. 171594-96

Present:

CARPIO,* *Acting Chief Justice,*
DEL CASTILLO,
PEREZ,
MENDOZA,** *and*
PERLAS-BERNABE, *JJ.*

Promulgated:
SEP 18 2013

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DECISION

DEL CASTILLO, *J*.:

In cases of compulsory arbitration before the Secretary of Labor pursuant to Article 263(g) of the Labor Code, the financial statements of the employer must be properly audited by an external and independent auditor in order to be admissible in evidence for purposes of determining the proper wage award.

This Petition for Review on *Certiorari* assails the Court of Appeal's (CA) October 6, 2005 Decision[1] and the February 17, 2006 Amended Decision[2] in CA-G.R. SP Nos. 80839, 81639, and 83168 which modified the January 19, 2004 Decision[3] of the Secretary of Labor in OS-AJ-0042-2003.

Factual Antecedents

The antecedents are aptly summarized by the CA:

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* Per Special Order No. 1548 dated September 16, 2013.
** Per Raffle dated September 16, 2013.
1 CA *rollo* (CA-G.R. SP No. 83168), pp. 371-402; penned by Associate Justice Delilah Vidallon-Magtolis and concurred in by Associate Justices Josefina Guevara-Salonga and Fernanda Lampas Peralta.
2 Id. at 479-483; penned by Associate Justice Josefina Guevara-Salonga and concurred in by Associate Justices Edgardo P. Cruz and Fernanda Lampas Peralta.
3 Id. at 47-68.

[Respondent union] Tunay Na Pagkakaisa ng mga Manggagawa sa Asia (TPMA) is a legitimate labor organization, certified as the sole and exclusive bargaining agent of all regular rank and file employees of [petitioner corporation] Asia Brewery, Incorporated (ABI). The [petitioner corporation], on the other hand, is a company engaged in the manufacture, sale and distribution of beer, shandy, glass and bottled water products. It employs about 1,500 workers and has existing distributorship agreements with at least 13 companies.

[Respondent union] and [petitioner corporation] had been negotiating for a new collective bargaining agreement (CBA) for the years 2003-2006 since the old CBA expired last July 2003. After about 18 sessions or negotiations, the parties were still unable to reconcile their differences on their respective positions on most items, particularly on wages and other economic benefits.

On October 21, 2003, the [respondent union] declared a deadlock. On October 27, 2003, [respondent union] filed a notice of strike with the National Conciliation and Mediation Board (NCMB), docketed as NCMB-RB-IV-LAG-NS-10-064-03. However, the parties did not come to terms even before the NCMB.

On November 18, 2003, [respondent union] conducted a strike vote. Out of the 840 union members, 768 voted in favor of holding a strike.

On November 20, 2003, [petitioner corporation] then petitioned the Secretary of the Department of Labor and Employment (DOLE) to assume jurisdiction over the parties' labor dispute, invoking Article 263 (g) of the Labor Code. In answer, [respondent union] opposed the assumption of jurisdiction, reasoning therein that the business of [petitioner corporation] is not indispensable to the national interest.

On December 2, 2003, [respondent union] filed before [the Court of Appeals] a petition for injunction, docketed as CA-G.R. SP No. 80839, which sought to enjoin the respondent Secretary of Labor from assuming jurisdiction over the labor dispute, or in the alternative, to issue a temporary restraining order, likewise to enjoin the former from assuming jurisdiction.

On December 19, 2003, the public respondent, through Undersecretary/ Acting Secretary Manuel G. Imson, issued an order assuming jurisdiction over the labor dispute between the [respondent union] and [petitioner corporation]. The pertinent portions of the said order read:

x x x x

> "WHEREFORE, based on our considered determination that the current labor dispute is likely to adversely affect national interest, this Office hereby ASSUME[S] JURISDICTION over the labor dispute between the ASIA BREWERY[,] INCORPORATED and the TUNAY NA PAGKAKAISA NG MANGGAGAWA SA ASIA pursuant to Article 263 (g) of the Labor Code, as amended. Accordingly, any strike or lockout in the Company, whether actual or impending, is hereby enjoined. Parties are hereby directed to cease and desist from taking any action that might exacerbate the situation.
>
> x x x x

"To expedite the resolution of this dispute, the parties are directed to submit in three (3) copies, their Position Papers within ten (10) days from receipt of this Order and another five (5) days from receipt of the said position papers to submit their Reply.

"1. The Company shall be required to provide:

"a. Complete Audited Financial Statements for the past five (5) years certified as to its completeness by the Chief Financial Comptroller or Accountant;

"b. Projected Financial Statements of the Company for the next three (3) years;

"c. CBA history as to economic issues; and

"d. The average monthly salary of the employees in this bargaining unit.

"2. The Union is required to provide an itemized summary of their CBA demands with financial costing and sample CBA's (if any) in similarly situated or comparable bargaining units.

"In the interest of speedy labor justice, this Office will entertain no motion for extension or postponement.

"The appropriate police authority is hereby deputized to enforce this Order in case of defiance or the same is not forthwith obeyed.

"SO ORDERED."

x x x x

On January 19, 2004, [respondent union] filed another petition for certiorari with [the Court of Appeals], docketed as CA-G.R. SP No. 81639, imputing bad faith and grave abuse of discretion to the Secretary of Labor. [Respondent union] prayed therein for the nullification of the order of assumption of jurisdiction and the declaration that [petitioner corporation] is not an industry indispensable to the national interest.

In the meantime, in a decision dated January 19, 2004, Secretary of Labor Patricia Sto. Tomas resolved the deadlock between the parties. As summarized in a later resolution, the public respondent granted the following arbitral awards:

(1) WAGE INCREASES as follows:

First Year	=	₱18.00
Second Year	=	15.00
Third Year	=	12.00
Total	=	₱45.00

(2) HEALTH CARE (HMO)

> ₱1,300 premium to be shouldered by Asia Brewery, Inc., for each covered employee and ₱1,800 contribution [for each] Union member-dependent.
>
> x x x x
>
> The [respondent union] moved for a reconsideration of the decision on the ground that the ruling lacks evidentiary proof to sufficiently justify the same. It also filed a "Paglilinaw o Pagwawasto" of the Decision. Similarly, [petitioner corporation] also filed a motion for clarification/reconsideration. The respondent Secretary of Labor resolved all three motions in a resolution dated January 29, 2004 x x x.
>
> x x x x
>
> Thereafter, on February 9, 2004, the parties executed and signed the Collective Bargaining Agreement with a term from August 1, 2003 to July 31, 2006.
>
> Subsequently, on April 1, 2004, [respondent union] filed another petition for certiorari before [the Court of Appeals], which was docketed as SP-83168, assailing the arbitral award and imputing grave abuse of discretion upon the public respondent.
>
> x x x x[4]

Court of Appeal's Ruling

On October 6, 2005, the CA rendered the first assailed Decision affirming with modification the arbitral award of the Secretary of Labor, *viz*:

> **WHEREFORE**, judgment is hereby rendered with the following rulings:
>
> 1) The assailed order dated December 19, 2003 of public respondent Secretary of Labor is ***AFFIRMED***. The petitions for injunction and certiorari in CA-G.R. SP Nos. 80839 and 81639 are ***denied*** and accordingly ***DISMISSED.***
>
> 2) In CA-G.R. SP No. 81368, the assailed decision dated January 19, 2004 and the order dated January 29, 2004 of the public respondent are hereby ***MODIFIED to read as follows:***
>
> a) The present CBA is declared effective as of August 1, 2003;
>
> b) Consequently, the employees are entitled to the arbitral awards or benefits from August 1, 2003 on top of the ₱2,500.00 signing bonus;
>
> c) The computation of the wage increase is ***REMANDED*** to the public respondent; and

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[4] Id. at 372-380.

d) The health benefit of the employees shall be ₱1,390.00.

SO ORDERED.[5]

In modifying the arbitral award of the Secretary of Labor, the CA ruled that: (1) The effectivity of the CBA should be August 1, 2003 because this is the date agreed upon by the parties and not January 1, 2004 as decreed by the Secretary of Labor; (2) The computation of wage increase should be remanded to the Secretary of Labor because the computation was based on petitioner corporation's unaudited financial statements, which have no probative value pursuant to the ruling in *Restaurante Las Conchas v. Llego*,[6] and was done in contravention of DOLE Advisory No. 1, Series of 2004, which contained the guidelines in resolving bargaining deadlocks; and (3) The health benefits should be ₱1,390.00 per covered employee because petitioner corporation had already agreed to this amount and the same cannot be altered or reduced by the Secretary of Labor.

Aggrieved, respondent union and petitioner corporation moved for reconsideration and partial reconsideration, respectively. On February 17, 2006, the CA issued an Amended Decision, *viz*:

> **WHEREFORE**, the foregoing considered, the Motion for Reconsideration of [respondent union] is **DENIED** and the Partial Motion for Reconsideration of [petitioner corporation] is **PARTIALLY GRANTED**. Accordingly, Our Decision is MODIFIED and the signing bonus previously awarded is hereby **DELETED**. The assailed Decision of the respondent Secretary with respect to the issue on salary increases is **REMANDED** to her office for a definite resolution within one month from the finality of this Court's Decision using as basis the externally audited financial statements to be submitted by [petitioner corporation].
>
> **SO ORDERED**.[7]

The CA partially modified its previous Decision by deleting the award of the signing bonus. It ruled that, pursuant to the express provisions of the CBA, the signing bonus is over and beyond what the parties agreed upon in the said CBA.

From this Amended Decision, only petitioner corporation appealed to this Court *via* this Petition for Review on *Certiorari*.

Issues

Petitioner corporation raises the following issues for our resolution:

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5 Id. at 401-402. Emphases in the original.
6 372 Phil. 697 (1999).
7 CA *rollo* (CA-G.R. SP No. 83168), pp. 482-483.

I. Whether the CA erred when it failed to dismiss CA-G.R. SP No. 83168 despite the lack of authority of those who instituted it.

II. Whether the CA erred when it remanded to the Secretary of Labor the issue on wage increase.

III. Whether the CA erred when it awarded ₱1,390.00 as premium payment for each covered employee.[8]

Our Ruling

The Petition lacks merit.

The authority of Rodrigo Perez (Perez) to file the petition before the CA was not sufficiently refuted.

Petitioner corporation claims that Perez, the person who verified the Petition in CA-G.R. SP No. 83168 questioning the propriety of the arbitral award issued by the Secretary of Labor, was without authority to represent respondent union. While there was a Secretary's Certificate attached to the aforesaid Petition purportedly authorizing Perez to file the Petition on behalf of the union, there was no showing that the union president, Jose Manuel Miranda (Miranda), called for and presided over the meeting when the said resolution was adopted as required by the union's constitution and by-laws. Moreover, the aforesaid resolution was adopted on March 23, 2004 while the Petition was filed on April 1, 2004 or nine days from the adoption of the resolution. Under the union's constitution and by-laws, the decision of the board of directors becomes effective only after two weeks from its issuance. Thus, at the time of the filing of the aforesaid Petition, the resolution authorizing Perez to file the same was still ineffective. Petitioner corporation also adverts to two labor cases allegedly divesting Perez of authority to represent the union in the case before the appellate court.

We disagree.

The Secretary's Certificate[9] attached to the Petition in CA-G.R. SP No. 83168 stated that the union's board of directors held a special meeting on March 23, 2004 and unanimously passed a resolution authorizing Perez to file a Petition before the CA to question the Secretary of Labor's arbitral award.[10] While petitioner corporation claims that the proper procedure for calling such a meeting was not followed, it presented no proof to establish the same. Miranda, the union

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8 *Rollo*, pp. 709-710.
9 CA *rollo* (CA-G.R. SP No. 83168), p. 40.
10 Id.

president who allegedly did not call for and preside over the said meeting, did not come out to contest the validity of the aforesaid resolution or Secretary's Certificate. Similarly, petitioner corporation's claim that the aforesaid resolution was still ineffective at the time of the filing of the subject Petition is unsubstantiated. A fair reading of the provisions which petitioner corporation cited in the union's constitution and by-laws, particularly Article VIII, Section 2[11] thereof, would show that the same refers to decisions of the board of directors regarding the laws or rules that would govern the union, hence, the necessity of a two-week prior notice to the affected parties before they become effective. These provisions have not been shown to apply to resolutions granting authority to individuals to represent the union in court cases. Besides, even if we assume that these provisions in the union's constitution and by-laws apply to the subject resolution, the continuing silence of the union, from the time of its adoption to the filing of the Petition with the CA and up to this point in these proceedings, would indicate that such defect, if at all present, in the authority of Perez to file the subject Petition, was impliedly ratified by respondent union itself.

As to the two labor cases allegedly divesting Perez of the authority to file the subject Petition, an examination of the same would show that they did not affect the legal capacity of Perez to file the subject Petition. The first labor case (*i.e.*, RO400-0407-AU-002,[12] RO400-0409-AU-006,[13] and RO400-0412-AU-001[14]) involved the move of Perez and other union members to amend the union's Constitution and By-Laws in order to include a provision on recall elections and to conduct a recall elections on June 26, 2004. In that case, the Med-Arbiter, in his January 25, 2005 Order,[15] ruled that the amendment sought to be introduced was not validly ratified by the requisite two-thirds vote from the union membership. As a result, the recall elections held on June 26, 2004 was annulled.[16] The second

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[11] Article VIII, Section 2 of respondent union's constitution and by-laws states:

Seksyon 2. Ang Lupon ng mga Kagawad (Board of Directors) ay magdaraos ng regular na pulong isang (1) beses tuwing ikalawang (2) buwan. Ang mga paanyaya o abiso sa bawat kasapi ng Lupon ng mga kagawad ay ipapadala tatlong (3) araw bago sumapit ang takdang araw ng pulong. Ang petsa, oras at lugar ng pulong ay itatakda ng Chairman of the Board.

a. Ito ang pangalawang mataas na kapulungan ng Unyon dahil dito, ang Mahahalal na Chairman of the Board ang magpapatawag at mangungulo sa pulong.
b. Lalamin ng pulong ang pagpapasa ng mga partikular na patakaran ng unyon sa bawat yugto alinsunod sa mga batayang prinsipyo ng Unyon sa itinatadhana ng Saligang Batas na ito. Upang maging masigla at malaman ang talakayan at mga pagtitiyang mga desisyon dapat malalim na nauunawaan ng bawat kasapi ng Lupon ng mga kagawad ang Saligang prinsipyong isinusulong ng Unyon at ang nilalaman ng Saligang Batas na ito.
c. Magkakabisa ang mga desisyon ng Lupon ng mga kagawad dalawang (2) linggo matapos maipasa ang batas at mapatalakay at mapagkaisa ang buong pamunuan at mga komite ng Unyon. (*Rollo*, p. 234)

[12] Entitled *In Re: Petition for Interpleader, Asia Brewery, Inc. v. Jose Manuel Miranda, et al.*; id. at 567.

[13] Entitled *In Re: Petition for Annulment of Amendments to TPMA Constitution and By-Laws Providing for a Recall Election and the Recall Election held on June 26, 2004, Jose Manuel Miranda v. Rodrigo Perez et al.*; id.

[14] Entitled *In Re: Petition to Declare the Amendments in the Constitution and By-Laws of the TPMA-Independent and the Recall Election of its Officers Valid, Rodrigo Perez et al. v. Jose Manuel D. Miranda, et al.*; id. at 568.

[15] Id. at 569-586.

[16] Id. at 586.

labor case (*i.e.*, NLRC NCR CC No. 000282-04[17] and NLRC-RAB IV-12-20200-04-L[18]) involved the strike staged by Perez and other union members on October 4, 2004. There, the National Labor Relations Commission, in its March 2006 Decision,[19] ruled that the strike was illegal and, as a consequence, Perez and the other union members were declared to have lost their employment status.[20]

These two labor cases had no bearing on the legal capacity of Perez to represent the union in CA-G.R. SP No. 83168 because (1) they did not nullify the authority granted to Perez in the March 23, 2004 resolution of the union's board of directors to file the subject Petition, and (2) the material facts of these cases occurred and the Decisions thereon were rendered after the subject Petition was already filed with the CA on April 1, 2004.

The remand of this case to the Secretary of Labor as to the issue of wage increase was proper.

Petitioner corporation admits that what it submitted to the Secretary of Labor were unaudited financial statements which were then used as one of the bases in fixing the wage award. However, petitioner corporation argues that these financial statements were duly signed and certified by its chief financial officer. These statements have also been allegedly submitted to various government agencies and should, thus, be considered official and public documents. Moreover, respondent union did not object to the subject financial statements in the proceedings before the Secretary of Labor and even used the same in formulating its (the union's) arguments in said proceedings. Thus, petitioner corporation contends that although the subject financial statements were not audited by an external and independent auditor, the same should be considered substantial compliance with the order of the Secretary of Labor to produce the petitioner corporation's complete audited financial statements for the past five years. Furthermore, the Decision of the Secretary of Labor was not solely based on the subject financial statements as the CBA history, costing of the proposals, and wages in other similarly situated bargaining units were considered. Finally, petitioner corporation claims that the demands of respondent union on wage increase are unrealistic and will cause the former to close shop.

The contention is untenable.

In *Restaurante Las Conchas v. Llego*,[21] several employees filed a case for illegal dismissal after the employer closed its restaurant business. The employer

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17 Entitled *In Re: Labor Dispute at Asia Brewery Inc.*; id. at 611.
18 Entitled *Rodrigo Perez, et al. v. Asia Brewery Inc., et al.*; id.
19 Id. at 611-639 (exact day ilegible).
20 Id. at 639.
21 Supra note 6.

sought to justify the closure through unaudited financial statements showing the alleged losses of the business. We ruled that such financial statements are mere self-serving declarations and inadmissible in evidence even if the employees did not object to their presentation before the Labor Arbiter.[22] Similarly, in *Uichico v. National Labor Relations Commission*,[23] the services of several employees were terminated on the ground of retrenchment due to alleged serious business losses suffered by the employer. We ruled that by submitting unaudited financial statements, the employer failed to prove the alleged business losses, *viz*:

> x x x It is true that administrative and quasi-judicial bodies like the NLRC are not bound by the technical rules of procedure in the adjudication of cases. However, this procedural rule should not be construed as a license to disregard certain fundamental evidentiary rules. While the rules of evidence prevailing in the courts of law or equity are not controlling in proceedings before the NLRC, the evidence presented before it must at least have a modicum of admissibility for it to be given some probative value. The Statement of Profit and Losses submitted by Crispa, Inc. to prove its alleged losses, **without the accompanying signature of a certified public accountant or audited by an independent auditor, are nothing but self-serving documents which ought to be treated as a mere scrap of paper devoid of any probative value.** For sure, this is not the kind of sufficient and convincing evidence necessary to discharge the burden of proof required of petitioners to establish the alleged losses suffered by Crispa, Inc. in the years immediately preceding 1990 that would justify the retrenchment of respondent employees. x x x[24]

While the above-cited cases involve proof necessary to establish losses in cases of business closure or retrenchment, we see no reason why this rule should not equally apply to the determination of the proper level of wage award in cases where the Secretary of Labor assumes jurisdiction in a labor dispute pursuant to Article 263(g)[25] of the Labor Code.

In *MERALCO v. Sec. Quisumbing*,[26] we had occasion to expound on the extent of our review powers over the arbitral award of the Secretary of Labor, in general, and the factors that the Secretary of Labor must consider in determining the proper wage award, in particular, *viz*:

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22 Id. at 704-705.

23 339 Phil. 242 (1997).

24 Id. at 250-251. Emphasis supplied.

25 Article 263(g) of the Labor Code provides:

> When, in his opinion, there exists a labor dispute causing or likely to cause a strike or lockout in an industry indispensable to the national interest, the Secretary of Labor and Employment may assume jurisdiction over the dispute and decide it or certify the same to the Commission for compulsory arbitration. Such assumption or certification shall have the effect of automatically enjoining the intended or impending strike or lockout as specified in the assumption or certification order. If one has already taken place at the time of assumption or certification, all striking or locked out employees shall immediately return to work and the employer shall immediately resume operations and readmit all workers under the same terms and conditions prevailing before the strike or lockout. The Secretary of Labor and Employment or the Commission may seek the assistance of law enforcement agencies to ensure the compliance with this provision as well as with such orders as he may issue to enforce the same.
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> x x x x

26 361 Phil. 845 (1999).

The extent of judicial review over the Secretary of Labor's arbitral award is not limited to a determination of grave abuse in the manner of the secretary's exercise of his statutory powers. This Court is entitled to, and must — in the exercise of its judicial power — review the substance of the Secretary's award when grave abuse of discretion is alleged to exist in the award, *i.e.*, in the appreciation of and the conclusions the Secretary drew from the evidence presented.

x x x x

In this case we believe that the more appropriate and available standard — and one does not require a constitutional interpretation — is simply the standard of reasonableness. In layman's terms, reasonableness implies the absence of arbitrariness; in legal parlance, this translates into the exercise of proper discretion and to the observance of due process. **Thus, the question we have to answer in deciding this case is whether the Secretary's actions have been reasonable in light of the parties['] positions and the evidence they presented.**

x x x x

This Court has recognized the Secretary of Labor's distinct expertise in the study and settlement of labor disputes falling under his power of compulsory arbitration. It is also well-settled that factual findings of labor administrative officials, if supported by substantial evidence, are entitled not only to great respect but even to finality. x x x

But at the same time, we also recognize the possibility that abuse of discretion may attend the exercise of the Secretary's arbitral functions; his findings in an arbitration case are usually based on position papers and their supporting documents (as they are in the present case), and not on the thorough examination of the parties' contending claims that may be present in a court trial and in the face-to-face adversarial process that better insures the proper presentation and appreciation of evidence. There may also be grave abuse of discretion where the board, tribunal or officer exercising judicial function fails to consider evidence adduced by the parties. Given the parties' positions on the justiciability of the issues before us, the question we have to answer is one that goes into the substance of the Secretary's disputed orders: **Did the Secretary properly consider and appreciate the evidence presented before him?**

x x x x

While We do not seek to enumerate in this decision the factors that should affect wage determination, we must emphasize that a collective bargaining dispute such as this one requires due consideration and *proper balancing of the interests of the parties to the dispute and of those who might be affected by the dispute.* To our mind, the best way in approaching this task holistically is to consider the available objective facts, including, where applicable, factors such as the bargaining history of the company, the trends and amounts of arbitrated and agreed wage awards and the company's previous CBAs, and industry trends in general. As a rule, affordability or capacity to pay should be taken into account but cannot be the sole yardstick in determining the wage award, especially in a public utility like MERALCO. In considering a public utility, the decision maker must always take into account the "public interest" aspects of the case; MERALCO's income and the amount of money available for operating expenses

> — including labor costs — are subject to State regulation. We must also keep in mind that high operating costs will certainly and eventually be passed on to the consuming public as MERALCO has bluntly warned in its pleadings.
>
> We take note of the "middle ground" approach employed by the Secretary in this case which we do not necessarily find to be the best method of resolving a wage dispute. Merely finding the midway point between the demands of the company and the union, and "splitting the difference" is a simplistic solution that fails to recognize that the parties may already be at the limits of the wage levels they can afford. It may lead to the danger too that neither of the parties will engage in principled bargaining; the company may keep its position artificially low while the union presents an artificially high position, on the fear that a "Solomonic" solution cannot be avoided. Thus, rather than encourage agreement, a "middle ground approach" instead promotes a "play safe" attitude that leads to more deadlocks than to successfully negotiated CBAs.[27]

Thus, we rule that the Secretary of Labor gravely abused her discretion when she relied on the unaudited financial statements of petitioner corporation in determining the wage award because such evidence is self-serving and inadmissible. Not only did this violate the December 19, 2003 Order[28] of the Secretary of Labor herself to petitioner corporation to submit its complete audited financial statements, but this may have resulted to a wage award that is based on an inaccurate and biased picture of petitioner corporation's capacity to pay — one of the more significant factors in making a wage award. Petitioner corporation has offered no reason why it failed and/or refused to submit its audited financial statements for the past five years relevant to this case. This only further casts doubt as to the veracity and accuracy of the unaudited financial statements it submitted to the Secretary of Labor. Verily, we cannot countenance this procedure because this could unduly deprive labor of its right to a just share in the fruits of production[29] and provide employers with a means to understate their profitability in order to defeat the right of labor to a just wage.

We also note with disapproval the manner by which the Secretary of Labor issued the wage award in this case, effectively paying lip service to the guidelines we laid down in *Meralco*. To elaborate, the Secretary of Labor held:

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[27] Id. at 866-872. Emphasis supplied.

[28] The December 19, 2003 Order states in part:

> To expedite the resolution of this dispute, the parties are directed to submit in **three (3) copies, their Position Papers** within **ten (10) days** from receipt of this Order and another **five (5) days** from receipt of the said position papers to submit their Reply.
>
> 1. The Company shall be required to provide:
>
> a. Complete Audited Financial Statements for the past five (5) years certified as to its completeness by the Chief Financial Comptroller or Accountant; x x x (*Rollo*, p. 156. Emphases in the original.)

[29] Article XIII, Section 3 of the Constitution states in part:

> x x x x
>
> The State shall regulate the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of enterprises to reasonable returns on investments, and to expansion and growth.

> Based on such factors as BARGAINING HISTORY, TRENDS OF ARBITRATED AND AGREED AWARDS AND INDUSTRY TRENDS, in general, we hold that vis-à-vis the Union[']s] demands and the Company's offers, as follows:
>
> | **UNION['S] DEMANDS** | | **COMPANY'S OFFERS** | |
> |---|---|---|---|
> | For the FIRST YEAR: | ₱36 | For the First 18 months: | ₱18 |
> | For the SECOND YEAR: | 36 | For the Second 18 months: | 18 |
> | For the THIRD YEAR: | 36 | | |
> | TOTAL: | ₱108 for three (3) years | | ₱36 for 36 months |
>
> this Office awards the following wage increases:
>
> | | |
> |---|---|
> | For the FIRST YEAR: | ₱18 |
> | For the SECOND YEAR: | 15 |
> | For the THIRD YEAR: | 12 |
> | | ₱45 for three (3) years[30] |

As can be seen, the Secretary of Labor failed to indicate the *actual* data upon which the wage award was based. It even appears that she utilized the "middle ground" approach which we precisely warned against in *Meralco*. Factors such as the actual and projected net operating income, impact of the wage increase on net operating income, the company's previous CBAs, and industry trends were not discussed in detail so that the precise bases of the wage award are not discernible on the face of the Decision. The contending parties are effectively precluded from seeking a review of the wage award, even if proper under our ruling in *Meralco*, because of the general but unsubstantiated statement in the Decision that the wage award was based on factors like the bargaining history, trends of arbitrated and agreed awards, and industry trends. In fine, there is no way of determining if the Secretary of Labor utilized the proper evidence, figures or data in arriving at the subject wage award as well as the reasonableness thereof. This falls short of the requirement of administrative due process obligating the decision-maker to adjudicate the rights of the parties in such a manner that they can know the various issues involved and the reasons for the decision rendered.[31]

Based on the foregoing, we hold that the Secretary of Labor gravely abused her discretion in making the subject wage award. The appellate court, thus, correctly remanded this case to the Secretary of Labor for the proper determination of the wage award which should utilize, among others, the audited financial statements of petitioner corporation and state with sufficient clarity the facts and law on which the wage award is based.

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30 *Rollo*, p. 323.

31 *Ang Tibay v. Court of Industrial Relations*, 69 Phil. 635, 644 (1940).

The modification of the arbitral award on health benefits from ₱1,300.00 to ₱1,390.00 was proper.

The CA held that the Secretary of Labor gravely abused her discretion when the latter awarded ₱1,300.00 as premium payment for each covered employee because the minutes of the October 17, 2003 collective bargaining negotiations between the parties showed that they had previously agreed to a higher ₱1,390.00 premium payment for each covered employee. However, petitioner corporation claims that it never agreed to this higher amount as borne out by the same minutes. The final offer of petitioner corporation on this item was allegedly to provide only ₱1,300.00 (not ₱1,390.00) as premium payment for each covered employee.

We have reviewed the minutes[32] of the October 17, 2003 collective

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[32] CA *rollo* (CA-G.R. SP No. 83168), pp. 180-181. The minutes relevantly state:

AGENDA (ECONOMIC ISSUES)

- **ARTICLE IX: HOSPITALIZATION, MEDICAL AND DENTAL SERVICES**

UNION/TPMA:

- Clarified Management Position- ₱1,390 without dependent? Contract with Fortune Care had expired last October 15, 2003.
- ₱1,390- dependent, negotiable;
- 50%-50% for dependent's premium;
- 70%-30% (70% is for TPMA);
- Accepted ₱ 1,390 but to rephrase/change the CBA existing provision-NOT to indicate the amount/figure instead, 100% cost of net premium- is to be shouldered by the Management.
- Suggested to DEFER this provision.
- Other provisions DEADLOCK.
- We're not telling that we don't want to negotiate anymore, but seems you're one sided. Even we declared Deadlock- we are still OPEN for a marathon negotiation.
- Let's discuss at the LABOR for we see that at this level we cannot have an agreement. We were able to justify our position- it is not "SUNTOK SA BUWAN" as you claimed. It will just last for so long, so, let's elevate it at the Labor (DOLE).
- Can we ask for an increase for the succeeding years in addition to what you have given this year? For sure we will not get an expensive HMO.
- Can we just ask for a 30% increase in premium for the 2nd and 3rd year? You know the HMO increases its rate on a yearly basis.
- Ok for ₱1,390; renegotiate for the 2nd and 3rd year. "Nakasalalay dito ang mga empleyadong naka-confine sa hospital."
- All other provisions-DEADLOCK, it was you who deferred the HMO provision.

MANAGEMENT/ABI:

- ₱1,390 is the current Management position. If the TPMA will insist for the Dependent's inclusion, we will be back to ₱1,200; otherwise, we have to close this provision at ₱1390, employee only.
- Clarified Management position ever since. We have to CLOSE this provision.
- Suggested to use the existing rate of ₱1,200 while still negotiating this specific provision.
- Still ₱1,390 only for the employee.
- Retain the existing provision of the existing CBA and will be increasing the premium from ₱1,200 to ₱1,390.
- If you're declaring deadlock in other provisions, we are here to continuously negotiate with you until we arrive to an agreement which is mutually beneficial to both parties.
- We are sincere in negotiating because what we're giving means Millions already. Look at the Management side for you to understand us. Much as we wanted to improve the welfare and benefits of our employees but there are limitations. We cannot give you heaven, anything you want. Management is trying its very best to accommodate all the demands of the Union.

bargaining negotiations adverted to by both parties. A fair reading thereof indicates that the issue of premium payments underwent several proposals and counter-proposals from petitioner corporation and respondent union, respectively. The last proposal of petitioner corporation relative thereto was to allot ₱1,390.00 as premium payment per covered employee provided that it (petitioner corporation) would not shoulder the premium payments of the employee's dependents. For its part, respondent union accepted the proposal provided that the premium payment would be renegotiated on the second and third years of the CBA. Consequently, both parties agreed *at the minimum* that the premium payment shall be ₱1,390.00 per covered employee and the remaining point of contention was whether the premium payment could be renegotiated on the second and third years of the CBA. It was, thus, grave abuse of discretion on the part of the Secretary of Labor to reduce the award to ₱1,300.00 which is below the minimum of ₱1,390.00 previously agreed upon by the parties. We also note that in the proceedings before the CA, respondent union only pleaded for the award of the ₱1,390.00 premium payment per covered employee[33] thereby effectively waiving its proposal on the renegotiation of the premium payment on the second and third years of the CBA.

WHEREFORE, the Petition is **DENIED**. The February 17, 2006 Amended Decision of the Court of Appeals in CA-G.R. SP Nos. 80839, 81639, and 83168 is **AFFIRMED.**

Costs against petitioner.

SO ORDERED.

MARIANO C. DEL CASTILLO
Associate Justice

WE CONCUR:

ANTONIO T. CARPIO
Associate Justice
Chairperson

- We didn't quote "suntok sa buwan" but the Management can't afford your demands. We believe you are sincere in your demands, but we cannot accept your demands on HMO, is the ₱1,390 the same provision of the CBA? Is this already acceptable to you?
- ₱1,390 for the employee, the rest of the HMO provision, the same- that's the position of the Management.
- Management will observe the Ground Rules to meet every Tuesday and Friday. May we know the side of the UNION? Please clarify- are you willing to negotiate again?
- We will comply with the Ground Rules and in our scheduled session, we will be THERE.

[33] Id. at 27.

JOSE PORTUGAL PEREZ
Associate Justice

JOSE CATRAL MENDOZA
Associate Justice

ESTELA M. PERLAS-BERNABE
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 case was assigned to the writer of the opinion of the Court's Division.

ANTONIO T. CARPIO
Associate Justice
Acting Chief Justice