

**Title:** San Miguel Corporation Employees Union-PTGWO vs. Hon. Secretary of Labor Ma. Nieves D. Confesor, San Miguel Corporation, Magnolia Corporation, and San Miguel Foods, Inc.

**Facts:**

- **June 28, 1990:** San Miguel Corporation Employees Union (SMC EU) and San Miguel Corporation (SMC) entered into a Collective Bargaining Agreement (CBA) effective from June 30, 1989 to June 30, 1992. The representation term was valid from July 1, 1989 to June 30, 1994.
- **August 13, 1991:** SMC management informed employees about restructuring, leading to the creation of separate entities: Magnolia Corporation and San Miguel Foods, Inc. This took effect on October 1, 1991, but the CBA remained in force post restructuring.
- **June 30, 1992:** CBA needed renegotiation. Petitioner-union insisted that the bargaining unit still include employees of the spun-off corporations Magnolia and SMFI, while SMC opposed. Petitioner declared a deadlock on September 29, 1992.
- **October 2, 1992:** A Notice of Strike was filed. Despite preventive mediation by NCMB, no settlement was reached, and a strike vote on November 3, 1992, favored striking. SMC requested Secretary of Labor intervention on November 4, 1992, and the Secretary assumed jurisdiction on November 10.
- **February 15, 1993:** Secretary of Labor issued an Order: renegotiated CBA effective for three (3) years from June 30, 1992, covering only SMC employees, excluding Magnolia and SMFI employees. Petitioner-union contested this decision to the Supreme Court.
- **March 30, 1995:** Petition for Temporary Restraining Order filed against certification elections; Court granted on March 29, 1995. Meanwhile, other motions were filed by intervenors SMM-SMC-FFW and Efren Carreon.

**Issues:**

1. **CBA Duration:** Should the renegotiated terms of the CBA be effective for two years or three?
2. **Bargaining Unit:** Should the bargaining unit of SMC include employees of Magnolia and SMFI?

**Court's Decision:**

- **CBA Duration:** The Supreme Court upheld the Secretary of Labor's decision. Article 253-A of the Labor Code states that while the representation aspect of a CBA lasts five years, other terms must be renegotiated within three years. The Court interpreted legislative discussions to infer that economic and non-economic provisions should be

reassessed every three years. Hence, there was no abuse of discretion by the Secretary in making the renegotiated terms effective for three years.

- **Bargaining Unit:** The Court found no merit in the petitioner-union's claim. Due to the restructuring, Magnolia and SMFI emerged as distinct entities with independent management, operation, and financial structures. Citing the principle that the appropriate bargaining unit requires mutual interests and distinct operational characteristics among employees, the Court ruled that the employees of Magnolia and SMFI could not be grouped with SMC for collective bargaining.

**Doctrine:**

- **Article 253-A of Labor Code:** Representation aspect of a CBA lasts five years, other provisions must be renegotiated within three years.

- **Appropriate Bargaining Unit Determination:** Mutuality of interests, distinct operational characteristics, and separate management structures must be considered. Entities with separate juridical personalities cannot form a single bargaining unit.

**Class Notes:**

1. **CBA Terms (Article 253-A, Labor Code):** Representation - 5 years, Other terms - 3 years.
2. **Bargaining Unit Test:** Substantial mutual interests, operational distinctness, affiliation, and compensation similarities.
3. **Management Prerogative and Restructuring:** Restructuring for business efficiency is a management prerogative unless contrary to law or policy.
4. **Legislative Intent for Labor Stability:** Encourages a fixed five-year term for representation to prevent frequent union disputes.

**Statutes:**

- **Art. 253-A, Labor Code:** Discusses the duration and renegotiation of CBA terms.

- **Piercing the Corporate Veil Doctrine:** Applied under bad faith or fraudulent purposes in corporate structuring.

**Historical Background:**

The restructuring by San Miguel Corporation reflecting modern business trends and strategic autonomy for better competition marked a notable shift in corporate management practices. The legislative reforms in RA 6715 aimed to enhance industrial peace and stability by delineating clearer labor terms, reflecting the evolving landscape of Philippine labor law in response to modern economic activities. This case encapsulates the

transitioning dynamics in employer-employee negotiations and reinforces the principles laid down post the Herrera-Veloso Law passage.