

**\*\*Title:\*\***

Manila Electric Company vs. Secretary of Labor and Meralco Employees and Workers Association (MEWA), G.R. No. 127598, December 21, 1999.

**\*\*Facts:\*\***

- **\*\*Background\*\***: Meralco (Manila Electric Company) and MEWA (Meralco Employees and Workers Association) had an existing Collective Bargaining Agreement (CBA) from 1992 to 1997. By the end of the three-year term, the parties sought to negotiate the terms for the remaining period (1995-1997).
- **\*\*Initial Negotiation Attempts\*\***: MEWA proposed renegotiation on September 7, 1995. Meralco responded positively on October 17, 1995, forming a CBA panel. MEWA presented its proposal on November 10, 1995, followed by Meralco's counter-proposal. Despite several meetings, no agreement was reached.
- **\*\*Notice of Strike & Urgent Petition\*\***: MEWA filed a Notice of Strike on April 23, 1996, due to deadlock and alleged unfair labor practices. Facing a potential strike, Meralco filed an Urgent Petition on May 2, 1996, asking the Secretary of Labor to assume jurisdiction and prevent the strike.
- **\*\*Secretary of Labor's Assumption of Jurisdiction\*\***: Secretary Quisumbing assumed jurisdiction on May 8, 1996, ordering the submission of position papers and conducting conciliation conferences.
- **\*\*Secretary's Order (August 19, 1996)\*\***: The Secretary resolved the dispute, issuing orders on various economic and non-economic demands, including wage increases, benefits, and other demands.
- **\*\*Motions for Reconsideration\*\***: Meralco (August 30, 1996) and MEWA (afterwards) filed separate motions for reconsideration addressing the Secretary's August 19, 1996, order.
- **\*\*Secretary's Amended Order (December 28, 1996)\*\***: This order adjusted some aspects of the August decision, particularly the wage increases and several benefit provisions.
- **\*\*Petition for Certiorari\*\***: Meralco filed this petition with the Supreme Court, alleging that the Secretary of Labor acted with grave abuse of discretion in his orders.

**\*\*Issues:\*\***

1. Did the Secretary of Labor commit grave abuse of discretion in awarding the wage increases?
2. Was the award of specific economic benefits (e.g., Christmas bonuses, rice subsidy,

employee cooperatives, and other fringe benefits) justified?

3. Regarding political demands, did the expanded scope of the bargaining unit, the closed-shop arrangement, and the mandate for union consultation on contracting out constitute grave abuse?

4. Were the Secretary's orders regarding union representation in committees and the inclusion of all existing benefits in the CBA proper?

5. Should the CBA be retroactive to December 1, 1995?

**Court's Decision:**

1. **Wage Increases**: The court found the Secretary had disregarded evidence and relied on less reliable information (e.g., speculative newspaper reports). The Court held that a reasonable wage increase would be P1,900 per month for each of the two years, considering the company's financials and industry standards.

2. **Economic Benefits**:

- **Christmas Bonuses**: The court agreed on a one-month Christmas bonus, noting inconsistent historical bonuses.

- **Rice Subsidy and Retirement Benefits for Retirees**: Issue remanded to the Secretary to clarify the nature of Meralco's retirement fund.

- **Employees' Cooperative**: Secretary erred since there is no legal basis for compelling a company to provide cooperative seed money.

- **Fringe Benefits**: The court upheld decisions on GHSIP and HMP benefits for dependents and the Housing Equity Loan as part of CBA negotiations.

- **Signing Bonus**: The court held the signing bonus unjustified due to the lack of negotiation goodwill.

- **Other Allowances (e.g., Sick Leave, High Voltage/High Pole/Towing Allowance)**: Some increases were justified due to work risk, but the court excluded team members not at risk.

3. **Political Demands**:

- **Scope of Bargaining Unit**: Inclusion of confidential employees in the bargaining unit reversed.

- **Union Security**: Reversion to maintenance of membership rather than closed shop, recognizing that neither party had sought a closed shop.

- **Contracting Out**: Requirement for union consultation was deemed unreasonable.

- **Union Representation in Committees**: Upheld, noting the union's right to participate in matters affecting workers' welfare.

4. **Inclusion of All Terms in CBA**: The Secretary's order to include all employment terms in the CBA was beyond his authority and struck down.

5. **Retroactivity of CBA**: Due to the prolonged negotiation and arbitration period, the court ruled the CBA's effectivity from December 28, 1996, the date of the Secretary's final order.

**Doctrine:**

1. **Judicial Review of Executive Actions**: The Secretary's powers are not exempt from judicial review, particularly when allegations of grave abuse exist.
2. **Reasonableness in Arbitration**: The principle these awards must consider objective facts and reflect a fair balance between labor and management.
3. **Hold-Over Principle**: Existing CBA terms continue until a new agreement is reached, preventing legal gaps.

**Class Notes:**

**Key Concepts:**

- **Judicial Review**: The SC's power to review executive actions under the "grave abuse of discretion" standard.
- **Reasonableness Standard**: CBA arbitration should avoid extreme positions and balance the interests of both parties.
- **CBA Clause Requirements**: Terms in previous CBAs or unilaterally granted benefits create binding practices but require clear evidence.
- **Labor Code, Article 263(g)**: Empowers the Secretary of Labor to assume jurisdiction over disputes affecting national interest.
- **Retroactivity Doctrine**: CBAs covering past periods need careful statutory application to avoid unintended extensions.

**Historical Background:**

This case arose amidst industrial relations developments and evolving labor standards for utilities in the mid-1990s Philippines. It reflects tensions between labor unions pushing for increased benefits and corporations concerned about financial viability and regulatory compliance. The resolution shaped future labor-management relations, especially in public utilities, emphasizing the need for judicial oversight in arbitration.