

### Title: Flight Attendants and Stewards Association of the Philippines (FASAP) v. Philippine Airlines, Inc. (PAL) et al.

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### Facts:

1. **Preliminary Incident**:

- Philippine Airlines (PAL) were facing severe financial difficulties. To mitigate its financial problems, PAL implemented a retrenchment program on June 15, 1998, affecting around 1,400 members of the Flight Attendants and Stewards Association of the Philippines (FASAP).

2. **Filing of Complaint**:

- FASAP filed a complaint before the Labor Arbiter, questioning the legality of the retrenchment but not disputing PAL's financial distress.

3. **Labor Arbiter Decision**:

- The Labor Arbiter ruled in favor of PAL, determining that the retrenchment was legal based on the company's financial difficulties.

4. **NLRC Decision**:

- On appeal, the National Labor Relations Commission (NLRC) affirmed the Labor Arbiter's decision.

5. **Court of Appeals Decision**:

- FASAP appealed to the Court of Appeals (CA), which also affirmed the decisions of the Labor Arbiter and NLRC.

6. **Supreme Court Third Division Initial Decision**:

- FASAP elevated the dispute to the Supreme Court, where the Third Division, in its decision dated July 22, 2008, reversed the CA decision, holding PAL guilty of illegal retrenchment. The Third Division concluded that PAL failed to establish severe financial losses due to non-presentation of audited financial statements.

7. **PAL's Motion for Reconsideration**:

- PAL filed a Motion for Reconsideration on this decision, leading the Court to hold oral arguments to discuss critical issues about the retrenchment, including the necessity of financial statements and the good faith in implementing PAL's retrenchment program.

8. **Special Third Division Decision**:

- On October 2, 2009, the Special Third Division denied PAL's motion but reduced the award of attorney's fees.

9. **PAL's Second Motion for Reconsideration**:

- PAL was granted leave to file a second motion for reconsideration against the July 22, 2008, decision and the October 2, 2009, resolution.

10. **En Banc Decision - October 4, 2011**:

- After the subsequent procedural issues with transferring justices and inhibitions, the Supreme Court en banc issued a resolution assuming jurisdiction over the case and recalling the former decisions to resolve the issues raised by PAL.

11. **Final Resolution (En Banc)**:

- On March 13, 2018, the Supreme Court granted PAL's motion for reconsideration, setting aside the July 22, 2008, and October 2, 2009 decisions, and affirmed the CA's decision. The retrenchment program by PAL was declared valid.

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**### Issues:**

1. **Validity of the Retrenchment Program**:

- Whether PAL established valid grounds for retrenchment based on substantial financial loss.

2. **Good Faith and Reasonable Criteria**:

- Whether the retrenchment was implemented in good faith and fair criteria were used in selecting employees for termination.

3. **Judicial Notice of Financial Losses**:

- Whether the court should take judicial notice of PAL's financial situation without the necessity of audited financial statements.

4. **Procedural Issues**:

- Whether the procedural handling of reconsiderations by the Supreme Court was proper and within the bounds of law.

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### Court's Decision:

1. **Validity of PAL's Retrenchment Program**:

- The Court accepted that PAL was undergoing substantial financial losses validated by their admission to corporate rehabilitation. PAL's severe financial losses were evidenced by SEC documents placing PAL under receivership.

2. **Good Faith Implementation**:

- The Court found no evidence of bad faith or unlawful intent. It held that the retrenchment program was part of PAL's broader strategy to prevent closure and minimize operational losses.

3. **Judicial Notice**:

- The Court held that in the context of PAL's corporate rehabilitation, a judicial notice of financial difficulties was sufficient, and the formal presentation of audited financial statements was less significant.

4. **Procedural Handling**:

- The Court held the recall order of the September 7, 2011 resolution valid. Moreover, PAL's second motion for reconsideration was necessary to address substantial issues and prevent a miscarriage of justice.

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### Doctrine:

- **Management Prerogative in Retrenchment**: In cases of severe financial difficulty, and under judicial notice of corporate rehabilitation, an employer may implement a retrenchment program following good faith principles and reasonable criteria without the strict necessity of audited financial statements.

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### Class Notes:

- **Key Concepts**:

- **Retrenchment**: A measure to preempt business losses or closures.

- **Judicial Notice**: Recognition by the court of facts without the necessity for formal evidence presentation.

- **Rule on Corporate Rehabilitation**: Legal acknowledgment of financial distress sufficient for judicial notice.

- **Statute**:

- **Article 298** of the Labor Code of the Philippines provides conditions under which retrenchment can be justified due to financial losses.

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### Historical Background:

- **1997 Asian Financial Crisis**: The economic downturn severely impacted businesses in the Philippines, including PAL. The crisis was a significant driver of financial instability leading to substantial business restructuring measures.

- **Judicial Handling of Corporate Rehabilitation**: The SEC's role in corporate rehabilitation historically involves enforcing strict measures to ensure a failing company can continue operations ethically and lawfully. The PAL case reflects complexities in balancing corporate survival with employee rights.