

PHILIPPINE AIRLINES, INC., PETITIONER, VS. HON. SECRETARY OF LABOR NIEVES R. CONFESOR AND PHILIPPINE AIRLINES EMPLOYEES' ASSOCIATION, RESPONDENTS.

G.R. No. 111480. March 10, 1994

Ponente: NOCON, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-111480/>

NOCON, J.:

This petition for certiorari filed by petitioner Philippine Airlines, Inc. (PAL) seeks to annul the Orders dated June 30, 1993 and July 30, 1993 of respondent Secretary of Labor Nieves R. Confesor which directed the inclusion of benefits worth at least P1.268 billion in its collective bargaining agreement (CBA) with the respondent Philippine Airlines Employees' Association (PALEA).

The facts are as follows: On September 30, 1992, the non-representation aspects or economic package of the 1989-1992 CBA between PAL and PALEA expired. That same day, PALEA expressed its desire to renegotiate the CBA and submitted its proposals for an economic package that would cost PAL P16.1 billion.

Negotiations soon began thereafter. PAL presented its proposed economic package amounting to P1 billion. This was rejected by PALEA. The parties continued their negotiations, but were unable to reach an agreement.

On May 3, 1993, PALEA declared a deadlock in the negotiations and filed on the following day a notice of strike with the National Conciliation and Mediation Board (NCMB), which was docketed as NCMB-NCR-NS-05-282-93.

At the time of the deadlock, the positions of the parties were as follows:

1. PAL - it proposed a P991,492,046.00 package, broken down as follows:

Wage increase:

Year 1 - P1, 200.00

Year 2 - 650.00

Year 3 - 750.00

Under this wage structure, PAL would end up paying the following amounts:

Salary increase - P591,673,800.00

Retirement - 217,067,095.00

Seniority pay - 44,782,164.00

Benefits - 137,967,987.00

TOTAL - P991,492,046.00

PAL also proposed several provisions to increase productivity, cut cost and generate revenue.

2. PALEA - It proposed the following economic package, broken down as follows:

Wage increase:

Year 1 - P2,000.00

Year 2 - 2,000.00

Year 3 - 2,000.00

plus updating of pay scales and separate pay scales for employees working directly with aircraft parts and components.

In addition, PALEA proposed, among other things, the following items:

- a. Additional one month salary each for Christmas bonus and 13th month pay;
- b. Construction of PAL Labor Center to be shouldered by PAL at the cost of P20 million;
- c. Improved retirement benefits;
- d. Grocery and laundry allowance;
- e. Productivity Bonus Incentive/ Improvement of Service Recognition and Perfect Attendance; and
- f. Seniority pay of P200.00 per year of service with recomputation starting January 1, 1993;
- g. Additional vacation and sick leaves and commutation of the unused portion of the same to cash.
- h. Travel benefit improvement -

1) additional five (5) positive space allocation for employees with at least 20 years of service.

2) upgrading of travel priorities.

3) service fees/reduced rates of trip passes based on rates lower than those offered by travel agencies.

i. Additional Overtime, Night Differential and other premium pays.

j. Free Uniforms, for all employees.

m. Implementation of Supreme Court decision dated March 31, 1976 on exact computation of daily rate salaries of monthly pay employees as follows:

Basic salary x 12

----- = Daily Rate

250

n. The Union, however, included a proviso that the above priorities are without prejudice to the provisions and proposals submitted by the Union to the Company dated September 20, 1992 including non-economic proposals.

According to PAL, the estimated cost of the foregoing PALEA demands which are easily computable amounts to P3.4 billion.

On May 21, 1993, PAL wrote respondent Secretary requesting that she assume jurisdiction over the dispute in

view of the importance of its business and to prevent PALEA from going on strike.

On May 31, 1993, respondent Secretary issued an order assuming jurisdiction over the labor dispute. She enjoined any work stoppage and ordered the parties to desist from any act that would exacerbate the situation. She also ordered the parties to submit their respective position papers within ten (10) days to facilitate the resolution of the dispute.

The parties submitted their respective position papers as directed by respondent Secretary, with PAL filing a reply to PALEA's position paper.

In the Order of June 30, 1993, respondent Secretary reviewed the positions of the parties on the main deadlocked issues, based on their respective position papers, as follows:

UNION

COMPANY

1. Wage Increase

First year

Second year

Third Year

TOTAL

P2,000.00

P2,000.00

P2,000.00

P6,000.00

P1,200.00

P 500.00

P 700.00

P2,500.00

Plus updating of payscale and separate payscale for employees working directly with aircraft parts and components

Not acceptable

2. Bonus

Additional 1 month each for Christmas bonus and 13th month pay

Not acceptable

3. Retirement

20 yrs. – 100% of basic salary

25 yrs. - 150% of basic salary

30 yrs. – 300% of basic salary

For benefit to be fully vested, length of service shall be shortened from 25 to 20 years, provided that employees who have completed at least 25 years of service may be retired at the option of the Company

4. Labor Center

Company to contribute P20 million in the construction of PAL Labor Center

Not acceptable

5. Dependents Medical Plan (PDMP)

Free medicine to out patients; if not available at the pharmacy, cost of medicine to be reimbursable to employees concerned

Enrollment of employee's parents regardless of age

Include dental services

No limit on the amount of coverage for dreaded diseases

Improved or upgraded room accommodations

Benefits to be extended to all employees regardless of former's age and status

Not acceptable

6. Vacation/Sick Leave

Less than 20 yrs. of service, additional vacation and sick leave of 5 days each

20 yrs. and above, additional 7 days each

Cash conversion of unused vacation leave and sick leave at the end of the year

Not acceptable

7. Seniority pay

P200.00 with recomputation starting 01 January 1993

P50.00 with recomputation starting 01 October 1994

8. Laundry/Grocery Allowance

P2,000.00

Not acceptable

9. Productivity Bonus Incentives

One (1) month pay/ six months; Improvement of Perfect Attendance Award one (1) week pay for every 90 day

period, if consistent awardee for two (2) years to be given trip pass to any regional flights with his immediate dependents, positive space status, plus free hotel accommodation and per diem of five (5) days.

10.Travel benefits Improvements

5 positive spaces for retired employees with at least 20 years of service

Upgrading of travel priorities

Service fees/ reduced rates of trip passes to be based on rates lower than those offered by travel agencies or lowest fare rate offered by PAL

To be extended to all children of employees

Lower service for dependents

Provide positive space conformed travel to employees with at least 15 years of service, with one qualified dependent

Provided that:

Positive space booking provision is removed; and Unutilized travel privileges of qualified dependents is made transferrable.

11. Additional overtime, Night Differential, Sunday Differential, Holiday and other Premium pays

If the employee works for 14 continuous hours, he shall be given half-day off with pay the following day; if the latter is his regular day-off or holiday, it shall be enjoyed the next regular working day

For 20 hours work, one day-off with pay the following day and additional one day off if following day is his rest day or holiday

Not acceptable

11. Effectivity

Retroactive to 01 October 1992 and effective for three years

Prospective; upon signing of the CBA and effective for three years[1]

Respondent Secretary then ordered:

"Given all these premises, we find the following award just and equitable:

"1. Wage increase:

Year 1 - P1,400.00

Year 2 - 1,000.00

Year 3 - 1,200.00

TOTAL - P3,600.00

"Notably, while the above wage award already corresponds to a substantial increase in the existing salaries of the Company's rank and file, there still exists a need to upgrade and update the prevailing payscale. This is especially true in the case of those employees working directly with aircraft parts and components. The parties, therefore, more particularly the Company, are urged to continue discussing and threshing out this matter.

"2. Allowance : P400.00/month starting on the third year of effectivity of the CBA

"3. Seniority Pay : P50.00, with recomputation starting 01 January 1993

"4. Travel Benefits : Service fees to be based on lowest fare rates offered by the Company

"5. Retirement : Benefits shall be fully vested upon employee's completion of 20 years service.

"6. Effectivity : 01 October 1992 until 30 September 1995

"Wherefore, the Philippine Airlines, Inc. and the Philippine Airlines Employees Association are hereby ordered to execute a collective bargaining agreement incorporating the dispositions herein contained. The agreement shall be retroactive from 01 October 1992 and shall remain effective for three years thereafter. All other demands not passed upon herein are deemed denied, without prejudice to the retention of all existing benefits as well as to such improved terms and conditions as the parties may have agreed upon in the meantime."[2]

The parties filed separate motions for reconsideration of said Order. On July 30, 1993, respondent Secretary issued the other questioned Order denying PALEA's motion for reconsideration while granting in part that of PAL's. As a consequence, the wage increases now provided:

Year 1 - P1,200.00

Year 2 - 1,200.00

Year 3 - 1,200.00

TOTAL - P3,600.00[3]

Respondent Secretary also ordered the inclusion of two provisions proposed by PAL to increase efficiency, namely:

"1. For purposes of promotion, the seniority factor shall be reduced by 5% and the efficiency factor shall be correspondingly increased by 5%; and

"2. For the same purpose, bidding for vacant positions shall not be limited to specific sections, but shall be opened to the entire department under which a particular section is located."[4]

Thereafter, PAL filed the instant petition raising the following grounds, to wit:

"I.

"THE HONORABLE SECRETARY OF LABOR, IN AWARDING A PACKAGE OF AT LEAST P1.268 BILLION GAVE TO PALEA MORE THAN TWICE WHAT PALEA IS ENTITLED TO ASSUMING THE VALIDITY OF THE RATIONALE FOR THE AWARD; IN SO DOING, RESPONDENT SECRETARY IGNORED THE VERY PARAMETERS SHE HAD HERSELF SET THUS GRAVELY ABUSING HER DISCRETION IN THE PROCESS AND COMMITTING AN ERROR SO SERIOUS SHE HAS OUSTED HERSELF FROM HER JURISDICTION.

"II.

"THE HONORABLE SECRETARY OF LABOR GRAVELY ABUSED HER DISCRETION IN AWARDING TO PALEA A PACKAGE THAT WOULD COST AT LEAST P1.268 BILLION; IN SO DOING, SHE RELIED ON THE PROBABILITIES AND CONJECTURE, AND SHE IGNORED AND MISAPPREHENDED PAL'S EVIDENCE SHOWING THAT SUCH AN AWARD WOULD NOT BE AFFORDABLE AND WOULD THREATEN PAL'S VIABILITY.

"III.

"THE HONORABLE SECRETARY OF LABOR ACTED OUTSIDE OF HER JURISDICTION IN INSISTING ON DISCUSSIONS ON THE Payscale SINCE THIS ISSUE HAS BEEN SETTLED IN A PREVIOUS FINAL DECISION.

"IV.

"THE HONORABLE SECRETARY OF LABOR ABUSED HER DISCRETION, AMOUNTING TO LACK OF JURISDICTION, IN ORDERING THE RETROACTIVITY OF THE CBA.

"V.

"THE HONORABLE SECRETARY OF LABOR COMMITTED SERIOUS ERROR IN NOT AWARDING TO PAL OTHER FEATURES WHICH WOULD ENHANCE PAL'S PRODUCTIVITY AND EFFICIENCY.

"VI.

"THE HONORABLE SECRETARY OF LABOR ERRED IN NOT LIMITING HER AWARD TO THE P1 BILLION PACKAGE OFFERED BY PAL."[5]

Initially, the Court did not grant PAL's prayer for a temporary restraining order (TRO). After several motions for the issuance of a TRO by PAL, and considering the ramifications an execution of the questioned orders may have on PAL, the Court granted a TRO on December 20, 1993.[6]

In the meantime, respondent PALEA filed its Comment to the petition, while the Solicitor General filed a Manifestation and Motion in lieu of Comment supporting PAL's petition.

We treat the Comment of PALEA as an answer and give due course to the petition.

PAL argues that respondent Secretary had gravely abused her discretion, amounting to lack or excess of jurisdiction, in awarding P1.268 billion in benefits in favor of PALEA as the same was based on probabilities and conjectures not supported by the evidence. PAL points out that while respondent Secretary had agreed that its erratic financial performance -- which she found to be "characterized by long periods of losses alternating with short periods of profitability" -- could not sustain PALEA's demand, she held that, given the company's recent performance, PAL would experience constant profitability over the three-year contract period, with net earnings of P3.4 billion.

PAL also argues that respondent Secretary had acted with grave abuse of discretion in applying the so-called "traditional budget-management approach" and awarded one-third of the projected net profits to PALEA, and in making the award retroactive to October 1, 1992.

In its Comment, PALEA argues that the issues questioning the validity of the award involve the findings of fact of respondent Secretary which cannot be reviewed in a petition for certiorari. Furthermore, PALEA argues that the subject matter involved pertains to the field of expertise of respondent Secretary and therefore her appreciation of the evidence should be respected by this Court.

We agree with PAL. Basically, there is grave abuse of discretion amounting to lack of jurisdiction where the respondent board, tribunal or officer exercising judicial functions exercised its judgment in a capricious, whimsical, arbitrary or despotic manner.[7] However, it has also been said that grave abuse is committed when "the lower court acted capriciously, and whimsically or the petitioner's contention appears to be clearly tenable or the broader interest of justice or public policy [so] require x x x." [8]

Also, grave abuse of discretion is committed when the board, tribunal or officer exercising judicial function fails to consider evidence adduced by the parties.[9]

While it is true that findings of fact of the Secretary of Labor are entitled to respect by this Court, we are inclined to review her findings since the fundamental issue here is the survival of the company. Besides, her findings are not based on a thorough examination of the parties' contending claims but merely on their respective position papers. There was no trial wherein the adversarial process would ensure a better presentation and appreciation of the evidence.

After going over the record, we find that respondent Secretary gravely abused her discretion when she based her award in favor of PALEA on the assumption that PAL would earn P3.4 billion pesos during the three-year contract period. The assumption finds no basis on the evidence adduced before her. Respondent Secretary had noted in her original order PAL's erratic performance over a ten-year period beginning fiscal year (FY) 1981-1982 up to 1990-1991. Said respondent Secretary:

"It appears that in spite of its net profits for the last two years, the Company has not established a firm financial foothold which could give us sufficient basis to sustain the Union's demands. Not to be ignored is that the Company's financial history has been characterized by long period of losses alternating with short period of profitability. It is too early, in this sense to forecast if its apparent financial rebound over the last two years can be sustained for the coming years, especially during the contract period in consideration.

x x x

"First, for 1992-1993, the Company already incurred a shortfall in its projected income. Second, the Company is presently in a state of transition, with all the attendant risks and possibilities, resulting from its recent privatization. Third, the Company has not acquired the ten wide-bodied aircrafts it intended to acquire, thereby necessarily lowering its income projections. And fourth, it is a matter of public and administrative knowledge that the net profitability of the airline industry worldwide is experiencing a downturn as a result of increased operating costs and cut-throat competition. While not irreversible as the Company would have us believe, this downturn will necessarily have a dampening impact on growth projections." [10]

Despite her recognition of PAL's unstable financial performance and the possibility that its earnings in the foreseeable future could be held down by the factors she enumerated above, respondent Secretary proceeded to forecast that PAL would make a projected net profit of P1.128 billion for FY 1992-1993, and P3.4 billion for the three-year contract period.

This Court believes that a more realistic projection should take into account PAL's performance for the previous ten years, during which time PAL only experienced profit during two fiscal years,[11] and not solely on the net earnings posted in FY 1991-1992 of P1,113,478,000.00. Relying solely on said amount would be a mistake since the profit was largely due to the privatization of PAL wherein the National Government assumed PAL's foreign currency obligations amounting to some P13.5 billion.

Subsequent events have shown the error in respondent Secretary's projections. The actual net income earned by PAL for FY 1992-1993 was P1,025,665.00, which fell short of respondent Secretary's projection by P87.813 million. Clearly, there is no way PAL could realize the income projected by respondent Secretary.

After making her projection of PAL's net profits for the three-year contract period, respondent Secretary then allocated one-third of the projected profits as labor costs to be paid to PALEA under the so-called "traditional budget-management approach." This Court is unaware of such a budget-management approach being traditional in this jurisdiction. Given the fact that neither of the parties cited the same in their position papers filed before her, respondent Secretary should have explained more thoroughly her application of said "traditional approach."

At any rate, it would be improper to apply said formula to the instant case since PALEA does not represent PAL's entire labor force. PALEA accounts for only 45% of PAL's total labor force. If the one-third rule would be applied, then PALEA should only be entitled to 45% thereof. The consequences of applying the one-third rule and awarding the entirety to PALEA would be nothing short of disastrous for PAL. As succinctly put by PAL:

"To plow back the entire one-third of the projected net income to PALEA alone is simply anomalous and discriminatory as this would rob the other components of the labor force of their rightful share in the allocation and require PAL to shoulder a much higher financial burden to the detriment of its stockholders and at a higher and greater risk to its continued viability." [12]

The offer of PAL of P1 billion to PALEA, which, by the way, is twice the amount that PALEA would be entitled to if the one-third rule was properly applied, was based on its computation of its projected operational costs during the three-year contract period and should not be so easily waived aside. However, this Court believes that the suggestion of the Solicitor General is more appropriate: respondent Secretary should review the positions of the parties so that a more acceptable and practicable amount could be found. If her recomputation should turn out to be less than the amount offered by PAL, then she should award PALEA the amount offered by PAL.

On the matter of whether the arbitral award may be made retroactive to October 1, 1992, the Court need but cite the decision in *St. Luke's Medical Center, Inc. vs. Hon. Ruben O. Torres, et al.* [13] wherein it was held that:

"Finally, the effectivity of the Order of January 28, 1991, must retroact to the date of the expiration of the previous CBA, contrary to the position of petitioner. Under the circumstances of the case, Article 253-A cannot be properly applied to herein case. As correctly stated by public respondent in his assailed Order of April 12, 1991 dismissing petitioner's Motion for Reconsideration -?

'Anent the alleged lack of basis for the retroactivity provisions awarded, we would stress that the provision of law invoked by the Hospital, Article 253-A of the Labor Code, speaks of agreement by and between the parties, and not arbitral awards.' (p. 818, Rollo)

Therefore, in the absence of a specific provision of law prohibiting retroactivity of the effectivity of arbitral awards issued by the Secretary of Labor pursuant to Article 263 (g) of the Labor Code, such as herein involved, public respondent is deemed vested with plenary and discretionary powers to determine the effectivity thereof."

Finally, PALEA argues that the instant petition was apparently filed in violation of Circular No. 28-91 of this Court. PAL had initially filed this petition as G.R. No. 111119 on August 6, 1993. On August 16, 1993, said petition was dismissed for non-compliance with paragraph 3 of Circular No. 1-88. PAL then filed the instant petition on September 1, 1993. PALEA claims that the failure of PAL to mention the dismissal of its petition in G.R. No. 111119 in the certification required under Circular No. 28-91 warrants the dismissal of the present petition.

We find no violation of Circular No. 28-91. PAL is not required to mention the dismissal of its previous petition since, having been dismissed, it is not a case pending before any court or tribunal within the contemplation of said circular. In addition, a petition dismissed under Circular No. 1-88 may be refiled as a new petition provided the proper reglementary period is observed. [14] The Court notes that present petition was filed within the proper reglementary period for the filing of a special civil action.

In fine, this Court finds that respondent Secretary had committed grave abuse of discretion amounting to lack of jurisdiction in failing to give weight to the evidence presented by PAL and in applying the so-called traditional budget-management approach.

WHEREFORE, the petition is hereby GIVEN DUE COURSE and the same GRANTED. The orders of respondent Secretary are annulled and set aside and the case remanded to said respondent for recomputation and to award to PALEA either the recomputed amount or the package offered by PAL, whichever may be higher.

SO ORDERED.

Narvasa, C.J., (Chairman), Padilla, Regalado, and Puno, JJ., concur.

[1] Order of June 30, 1993, pp. 221-231.

[2] Id., pp. 10-11; Rollo, pp. 230-231.

[3] Order of July 30, 1993, p. 7; Rollo, p. 503.

[4] Order of July 30, 1993, p. 10; Rollo, p. 506.

[5] Petition, pp. 13-15; Rollo, pp. 14-16.

[6] Rollo, p. 854.

[7] *Abad Santos vs. Prov. of Tarlac*, 67 Phil 480; *Planters Products, Inc. vs. Court of Appeals*, 193 SCRA 563.

[8] *De Laureano vs. Adil*, 72 SCRA 161 (1976).

[9] *Caltex Filipino Manager's Supervisors vs. Court of Industrial Relations*, 44 SCRA 350; *Labor ng Pagkakaisa sa Peter Paul vs. Court of Industrial Relations*, 96 Phil. 63.

[10] Order of June 30, 1993, pp. 8-9.

[11] FY 1986-1987 (P318,128,000.00) and FY 1988-1989 (P304,506,000.00).

[12] Petition, p. 18.

[13] G.R. No. 99395, June 30, 1993.

[14] *Caños Medical Center vs. Trajano*, 215 SCRA 818 (1992).

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.