

SIME DARBY PILIPINAS, INC., PETITIONERS, VS. DEPUTY ADMINISTRATOR BUENAVENTURA C. MAGSALIN AS VOLUNTARY ARBITRATOR AND THE SIME DARBY EMPLOYEES ASSOCIATION, RESPONDENTS.

G.R. No. 90426. December 15, 1989

Ponente: FELICIANO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-90426/>

FELICIANO, J.:

The Petition for Certiorari before us assails the award of Voluntary Arbitrator Buenaventura Magsalin dated 17 August 1989 which directed petitioner Sime Darby Pilipinas, Inc. (Sime Darby) to pay the members of private respondent Sime Darby Employees Association (SDEA) a performance bonus equivalent to seventy-five percent (75%) of their monthly basic pay for the year 1988-1989.

On 13 June 1989, petitioner Sime Darby and private respondent SDEA executed a Collective Bargaining Agreement (CBA) providing, among others, that:

"Article X, Section 1. A performance bonus shall be granted, the amount of which [is] to be determined by the Company depending on the return of [sic] capital investment as reflected in the annual financial statement."

On 31 July 1989, the Sime Darby Salaried Employees Association-ALU (SDSEA-ALU) wrote petitioner demanding the implementation of a provision identical to the above contained in their own CBA with petitioner. Subsequently, petitioner called both respondent SDEA and SDSEA-ALU to a meeting wherein the former explained that it was unable to grant the performance bonus corresponding to the fiscal year 1988-1989 on the ground that the workers' performance during said period did not justify the award of such bonus. On 27 July 1989, private respondent SDEA filed with the National Conciliation and Mediation Board (NCMB) an urgent request for preventive conciliation between private respondent and petitioner.

On 1 August 1989, the parties were called to a conciliation meeting and in such meeting, both parties agreed to submit their dispute to voluntary arbitration. Their agreement to arbitrate stated, among other things, that they were "submitting the issue of performance bonus to voluntary arbitration" and that "the decision/award of the voluntary arbitrator shall be respected and implemented by the parties as final and executory, in accordance with the law."^[1]

On 14 August 1989, petitioner filed its position paper which aimed to show that the performance of the members of respondent union during the year was below the production goals or targets set by Sime Darby for 1988-1989 and below previous years' levels for which reason the performance bonus could not be granted. Petitioner there referred to the following performance indicators: a) number of tires produced; b) degree of wastage of production materials; and c) number of pounds of tires produced per man hour. On that same day, 14 August 1989, petitioner manifested before the Voluntary Arbitrator that it would file a Reply to the union's Position Paper submitted on 10 August 1989 not later than 18 August 1989.

However, before petitioner could submit its Reply to the union's Position Paper, the Voluntary Arbitrator on 17 August 1989 issued an award which declared respondent union entitled to a performance bonus equivalent to 75% of the monthly basic pay of its members. In that award, the Voluntary Arbitrator held that a reading of the CBA provision on the performance bonus would show that said provision was mandatory hence the only issue to be resolved was the amount of performance bonus. The Voluntary Arbitrator further stated that petitioner company's financial statements as of 30 June 1988 revealed retained earnings in the amount of P324,370,372.32. From the foregoing, the Voluntary Arbitrator concluded that petitioner company could well afford to give members of respondent union a substantial performance bonus. The Voluntary Arbitrator also stated that there was evidence to show that the company has given performance bonuses to its managerial and non-unionized employees as well as to monthly paid workers for the year 1988-1989.

Petitioner filed a motion for reconsideration which motion was not entertained by the Voluntary Arbitrator upon the ground that under the ruling of this Court in *Solidbank v. Bureau of Labor Relations*, (G.R. No. 64926, promulgated 8 October 1984; unpublished) he, the Voluntary Arbitrator, had automatically lost jurisdiction over the arbitration case upon the issuance of the award.

In this Petition for Certiorari, petitioner mainly argues that respondent Voluntary Arbitrator gravely abused his discretion in holding that the grant of performance bonus was mandatory and that the only issue before him was the amount of the bonus. It is contended that since a performance bonus is a "gift" based on the company's performance, the same is not justified when the company's performance has been poor. Petitioner claims that during the fiscal year of 1988-1989, the company performed poorly as shown by the decline in tire production for the said year as well as the increase of the rate of wastage of production materials, and also by the decrease in the number of tires produced per man hour. Petitioner also argues that even if a performance bonus were justified, the Voluntary Arbitrator gravely abused his discretion in giving an award of 75% of the monthly basic rate without any evidence of the basis used in arriving at such an award. It is insisted that under the relevant CBA provision, the company determines the amount of the bonus if the same be justified. Petitioner also alleged that respondent Arbitrator gravely erred when he based the award on the company's retained earnings the level of which represents earnings accumulated during prior years and not merely during the fiscal year 1988-1989.

On 8 November 1989, the Court temporarily restrained the enforcement of the Voluntary Arbitrator's award to prevent the petition at bar becoming moot and academic.

We are not persuaded by petitioner's arguments.

One point needs to be stressed at the outset: the award of a Voluntary Arbitrator is final and executory after ten (10) calendar days from receipt of the award by the parties.^[2] There was a time when the award of a Voluntary Arbitrator relating to money claims amounting to more than P100,000.00 or forty percent (40%) of the paid-up capital of the employer (whichever was lower), could be appealed to the National Labor Relations Commission upon the grounds of: (a) abuse of discretion; or (b) gross incompetence, presumably of the arbitrator.^[3] This is no longer so today although, of course, certiorari will lie in appropriate cases. A petition for certiorari under Rule 65 of the Revised Rules of Court will lie only where a grave abuse of discretion or an act without or in excess of jurisdiction on the part of the Voluntary Arbitrator is clearly shown. It must be borne in mind that the writ of certiorari is an extraordinary remedy and that certiorari jurisdiction is not to be equated with appellate jurisdiction. In a special civil action of certiorari, the Court will not engage in a review of the facts found nor even of the law as interpreted or applied by the Arbitrator unless the supposed errors of fact or of law are so patent and gross and prejudicial as to amount to a grave abuse of discretion or an *exces de pouvoir* on the part of the Arbitrator.^[4] The Labor Code and its Implementing Rules thus clearly reflect the important public policy of encouraging recourse to voluntary arbitration and of shortening the arbitration process by rendering the arbitral award non-appealable to

the NLRC. The result is that a voluntary arbitral award may be modified and set aside only upon the same grounds on which a decision of the NLRC itself may be modified or set aside, by this Court.

Examination of the pleadings in the instant Petition shows that two (2) principal issues are raised: The first is whether or not the Voluntary Arbitrator acted with grave abuse of discretion or without or in excess of jurisdiction in passing upon both the question of whether or not a performance bonus is to be granted by petitioner Sime Darby to the private respondents and the further question of the amount thereof. The second is whether or not the award by the Arbitrator of a performance bonus amounting to seventy-five percent (75%) of the basic monthly salary of members of private respondent union itself constituted a grave abuse of discretion or an act without or in excess of jurisdiction. We consider these issues seriatim.

1. In respect of the first issue, petitioner Sime Darby urges that the Arbitrator gravely abused his discretion in passing upon not only the question of whether or not a performance bonus is to be granted but also, in the affirmative case, the matter of the amount thereof. The position of petitioner, to the extent we can understand it, is that the Arbitrator was authorized to determine only the question of whether or not a performance bonus was to be granted, the second question being reserved for determination by the employer Sime Darby. We noted earlier that in their agreement to arbitrate, the parties submitted to the Voluntary Arbitrator "the issue of performance bonus." The language of the agreement to arbitrate may be seen to be quite cryptic. There is no indication at all that the parties to the arbitration agreement regarded "the issue of performance bonus" as a two-tiered issue, only one tier of which was being submitted to arbitration. Possibly, Sime Darby's counsel considered that issue as having dual aspects and intended in his own mind to submit only one of those aspects to the Arbitrator; if he did, however, he failed to reflect his thinking and intent in the arbitration agreement.

It is thus essential to stress that the Voluntary Arbitrator had plenary jurisdiction and authority to interpret the agreement to arbitrate and to determine the scope of his own authority subject only, in a proper case, to the certiorari jurisdiction of this Court. The Arbitrator, as already indicated, viewed his authority as embracing not merely the determination of the abstract question of whether or not a performance bonus was to be granted but also, in the affirmative case, the amount thereof. The Arbitrator said in his award:

At this juncture, it would not be amiss to emphasize to the parties that the matter of performance bonus necessarily includes not only the determination of the existence of the right of the union to this benefit but also the amount thereof. This conclusion arises from a perusal of the terms of the submission agreement entered into by Sime Darby Pilipinas, Inc. and Sime Darby Employees Association which limited the voluntary arbitration only with regard to submission of position papers of the parties, disposition and rendition of the award. Nary (sic) a trace of qualification as to the sole issue of performance bonus may be gleaned from a review of said agreement.

With that as a timely reminder, this Arbitrator now proceeds to resolve the issues herein submitted for resolution. Without doubt, the Sime Darby Employees Association is entitled to performance bonus. This conclusion arises from an analysis of the imperative terms of the CBA provision on production bonus, hereinafter reproduced, to wit:

"A performance bonus shall be granted the amount of which to be determined by the Company depending on the return of capital investment as reflected in the annual financial statements." [5] (Underscoring supplied)

Analysis of the relevant provisions of the CBA between the parties and examination of the record of the instant case lead us to the conclusion that the Arbitrator's reading of the scope of his own authority must be sustained.

Article X, Section 1 of the CBA is, grammatically speaking, cast in mandatory terms: "A performance bonus shall be granted x x x." The CBA provision goes on, however, immediately to say that the amount of the performance

bonus "(is) to be determined by the Company." Thus, notwithstanding the literal or grammatical tenor of Article X, Section 1, as a practical matter, only the issue relating to the amount of the bonus to be declared appears important. Not much reflection is needed to show that the critical issue is the scope of authority of the company to determine the amount of any bonus to be granted. If the company's discretionary authority were to be regarded as unlimited and if the company may declare in any event a merely nominal bonus, the use of mandatory language in Article X, Section 1, would seem largely illusory and cosmetic in effect. Alternatively, even if one were to disregard the use of "shall" rather than "may" in Article X, Section 1, the question of whether or not a performance bonus is to be granted, still cannot realistically be dissociated from the intensely practical issue of the amount of the bonus to be granted. It is noteworthy that petitioner Sime Darby itself did not spend much time discussing as an abstract question whether or not the grant of a performance bonus is per se obligatory upon the company. Petitioner instead focused upon the production performance of the company's employees as bearing upon the appropriateness of any amount of bonus. Further, if petitioner Sime Darby's argument were to be taken seriously, one must conclude that the parties to the arbitration agreement intended to refer only a theoretical and practically meaningless issue to the Voluntary Arbitrator, a conclusion that we find thoroughly unacceptable.

2. We turn then to the issue of whether or not the Voluntary Arbitrator gravely abused his discretion or acted without or in excess of jurisdiction in awarding an amount equivalent to seventy-five percent (75%) of the basic monthly pay of members of respondent union. Petitioner Sime Darby contends that that award is devoid of factual basis. We understand this contention to be that the Arbitrator did not apply the relevant CBA provision.

Once more, we are not persuaded by petitioner's contention.

Article X, Section 1 of the CBA does not in express terms identify whose performance is to be appraised in determining an appropriate amount to be awarded as performance bonus. The Court considers that it is the performance of the company as a whole, and not merely the production or manufacturing performance of its employees, which is relevant in that determination. The CBA provision refers to the return on investment of the company (ROI). The return on the stockholders' investment, as we understand it, relates basically to the net profits shown by the company and therefore to many more factors than simply the extent to which production targets were achieved or the rise and fall of the manufacturing efficiency ratios. Among those factors would be the cost of production, the quality of the products, the cost of money, the debt-equity ratio, the cost of sales, the level of taxes due and payable, the gross revenues realized, and so forth. We note upon the other hand, that petitioner's counsel failed to discuss at all before the Voluntary Arbitrator the rate of return on stockholders' investment achieved by Sime Darby for the year 1988-1989; as earlier noted, counsel confined his argument and the evidence submitted by him to the number of tires produced, the decrease in the rate of wastage of manufacturing materials, and the productivity of the work force measured in terms of the number of tires produced per man hour.

The Voluntary Arbitrator, upon the other hand, explicitly considered the net earnings of petitioner Sime Darby in 1988 (P100,000,000.00) and in the first semester of 1989 (P95,377,507.00) as well as the increase in the company's retained earnings from P265,729,826.00 in 1988 to P324,370,372.00 as of 30 June 1989. Thus, the Arbitrator impliedly or indirectly took into account the return on stockholders' investment realized for the fiscal year 1988-1989. It should also be noted that the relevant CBA provision does not specify a minimum rate of return on investment (ROI) which must be realized before any particular amount of bonus may or should be declared by the company.

The Voluntary Arbitrator also took into account, again in an indirect manner, the performance of Sime Darby's employees by referring in his award to "the total labor cost incurred by the Company":

"This Arbitrator, however, is well aware that any effort in this regard must be tempered and balanced as against the need to sustain the continued viability of Sime Darby Pilipinas, Inc. in accordance with the constitutional

provision which recognizes 'the right of enterprise to reasonable returns on investment and to expansion and growth.' Furthermore, any award to be rendered must likewise take into account the total labor cost incurred by the Company. It should not merely be confined to those pertaining to the members of the Sime Darby Employees Association but necessarily include that which shall be paid and granted to all other employees of Sime Darby this year." [6] (Underscoring supplied)

On balance, we believe and so hold that the award of the Voluntary Arbitrator of a bonus amounting to seventy-five percent (75%) of the basic monthly salary cannot be said to be merely arbitrary or capricious or to constitute an *exces de pouvoir*.

The remaining assertions of petitioner Sime Darby relating to denial of procedural due process by the Voluntary Arbitrator, consisting of failure to wait for petitioner's announced Reply (basically reiterative and amplificatory in nature) to the union's Position Paper and of alleged failure to consider evidence submitted by petitioner, do not require extended consideration; they are evidently bereft of merit.

WHEREFORE, the Petition for Certiorari is DISMISSED for lack of merit. The Temporary Restraining Order issued on 8 November 1989 is hereby LIFTED. This Decision is immediately executory. Costs against petitioner.

SO ORDERED.

Fernan, C.J., Gutierrez, Jr., Bidin, and Cortes, JJ., concur.

[1] Annex "B" of the Petition, Rollo p. 29; underscoring supplied.

[2] Article 262-A, Labor Code, as amended by Republic Act No. 6715.

[3] Section 5, Rule XI of Book No. V, Rules Implementing the Labor Code.

[4] It is in this sense that *Oceanic Bic Division (FFW) v. Romero*, 130 SCRA 392 (1984) and *Mantrade/FMMC Division Employees and Workers Union v. Bacungan*, 144 SCRA 510 (1986) are to be understood.

[5] Rollo, p. 27.

[6] Rollo, p. 28.

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.