SUPREME COURT
SECOND DIVISION

MINDANAO TERMINAL AND BROKERAGE SERVICES, INC.,
***Petitioner*,**

-versus-

G.R. No. 111809
May 5, 1997

HON. MA. NIEVES ROLDAN-CONFESOR, IN HER CAPACITY AS SECRETARY OF LABOR AND EMPLOYMENT, AND ASSOCIATED LABOR UNIONS (ALU-TUCP),
***Respondents*.**
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D E C I S I O N

MENDOZA, *J.*:

This is a Petition for *Certiorari* to Set Aside the Order of respondent Honorable Secretary of Labor and Employment, declaring (1) wage increases granted by petitioner to its employees not creditable as compliance by the company with future mandated wage increases, and (2) the increases to be retroactive, in the case of the fourth year wage increase, to August 1, 1992 to be implemented until July 31, 1993 and, in the case of the fifth year wage increase, to August 1, 1993

to be implemented until the expiration of the CBA on July 31, 1994.

Petitioner Mindanao Terminal and Brokerage Service, Inc., (hereafter referred to as the Company) and respondent Associated Labor Unions, (hereafter referred to as the Union) entered into a collective bargaining agreement for a period of five (5) years, starting on August 1, 1989 and ending July 31, 1994.

On the third year of the CBA on August 1, 1992, the Company and the Union met to renegotiate the provisions of the CBA for the fourth and fifth years. The parties, however, failed to resolve some of their differences, as a result of which a deadlock developed.

On November 12, 1992, a formal notice of deadlock was sent to the Company on the following issues: wages, vacation leave, sick leave, hospitalization, optional retirement, 13th month pay and signing bonus.

On November 18, 1992, the Company announced a cost-cutting or retrenchment program.

Charging unfair labor practice and citing the deadlock in the negotiations, the Union filed, on December 3, 1992, a notice of strike with the National Conciliation and Mediation Board (NCMB).

On December 18, 1992, as a result of a conference called by the NCMB, the Union and the Company went back to the bargaining table and agreed on the following provisions:

a. Wage Increase (Article V, Section 2, CBA) — P3.00/day for the fourth year of the CBA and P3.00/day for the fifth Year of the CBA;

b. Vacation and Sick Leaves (Article VII, Section 1(c), CBA) — 1,100 hours of aggregate service instead of the existing 1,500 hours within a year to be entitled to leave benefits but subject to reversion to the previous CBA if majority of the gangs average eight (8) vessels a month;

c. Hospitalization (Article VIII, Section 1, CBA) — Maximum aggregate of 1,100 hours instead of the 1,500 hours and up to be entitled to the benefit of P2,500.00 with the lower brackets adjusted accordingly but subject to reversion to the previous CBA if majority of the gangs average eight (8) vessels a month;

d. 13th Month Pay (Article XIII, Section 1, CBA) — Average of six (6) vessels instead of the existing eight (8) vessels to be entitled to eleven (11) days basic pay but subject to reversion to the previous CBA if majority of the gangs average eight (8) vessels a month;

e. Signing bonus; and

f. Seniority.

The agreement left only one issue for resolution of the parties, namely, retirement. Even this issue was soon settled as the parties met before the NCMB on January 14, 1993 and then agreed on an improved Optional Retirement Clause by giving the employees the option to retire after rendering eighteen (18) years of service instead of the previous twenty (20) years, and granting the employees retirement benefits equivalent to sixteen (16) days for every year of service. Thus, as the Med-Arbiter noted in the record of the January 14, 1993 conference, "the issues raised by the notice of strike had been settled and said notice is thus terminated."

But no sooner had he stated this than the Company claimed that the wage increases which it had agreed to give to the employees should be creditable as compliance with future mandated wage increases. In addition, it maintained that such increases should not be retroactive.

Reacting to this development, the Union again filed a Notice of Strike on January 28, 1993, with the NCMB. On March 7, 1993, the Union staged a strike.

The NCMB tried to settle the issues of creditability and retroactivity, calling for this purpose a conciliation conference on March 9, 1993. As conciliation proved futile, the Company petitioned respondent

Secretary of Labor and Employment (hereafter Secretary of Labor) to assume jurisdiction over the dispute. On March 10, 1993, respondent assumed jurisdiction over the dispute and ordered the parties to submit their respective position papers on the two unresolved issues.

After submission by the parties of their position papers, the Secretary of Labor issued an Order dated May 14, 1993, ordering the Company and the Union to incorporate into their existing collective bargaining agreement all improvements reached by them in the course of renegotiations. The Secretary of Labor held that the wage increases for the fourth and fifth years of the CBA were not to be credited as compliance with future mandated increases. In addition, the fourth year wage increase was to be retroactive to August 1992 and was to be implemented until July 31, 1993, while the fifth year wage increase was to take effect on August 1, 1993 until the expiration of the CBA.[1]

On May 31, 1993, the Company sought reconsideration of the May 14, 1993 order. The motion was denied for lack of merit by the Secretary of Labor in a resolution dated July 7, 1993. Hence, this petition for certiorari, alleging grave abuse of discretion on the part of respondent Secretary of Labor.

The petitioner contends that respondent erred in making the fourth year wage increase retroactive to August 1, 1992. It denies the power of the Secretary of Labor to decree retroaction of the wage increases, as the respondent herself had stated in her order subject of this petition, that it had been more than six (6) months since the expiration of the third anniversary of the CBA and, therefore, the automatic renewal clause of Art. 253-A of the Labor Code had no application. Although petitioner originally opposed giving retroactive effect to their agreement, it subsequently modified its stand and agreed that the fourth year wage increase and the other provisions of the CBA be made retroactive to the date the Secretary of Labor assumed jurisdiction of the dispute on March 10, 1993.

The petition is without merit. Art. 253-A of the Labor Code reads:

> Terms of a collective bargaining agreement. — Any Collective Bargaining Agreement that the parties may enter into shall, insofar as the representation aspect is concerned, be for a term

> of five (5) years. No petition questioning the majority status of the incumbent bargaining agent shall be entertained and no certification election shall be conducted by the Department of Labor and Employment outside of the sixty-day period immediately before the date of expiry of such five year term of the Collective Bargaining Agreement. All other provisions of the Collective Bargaining Agreement shall be renegotiated not later than three (3) years after its execution. Any agreement on such other provisions of the Collective Bargaining Agreement entered into within six (6) months from the date of expiry of the term of such other provisions as fixed in such Collective Bargaining Agreement, shall retroact to the day immediately following such date. If any such agreement is entered into beyond six months, the parties shall agree on the duration of retroactivity thereof. In case of a deadlock in the renegotiation of the collective bargaining agreement, the parties may exercise their rights under this Code.

The respondent indeed stated in her order of May 14, 1993 that "this case is clearly beyond the scope of the automatic renewal clause,"[2] but she also stated in the same order that "the parties have reached an agreement on all the renegotiated provisions of the CBA" on January 14, 1993, i.e., within six (6) months of the expiration of the third year of the CBA.

The signing of the CBA is not determinative of the question whether "the agreement was entered into within six months from the date of expiry of the term of such other provisions as fixed in such collective bargaining agreement" within the contemplation of Art. 253-A.

As already stated, on November 12, 1992, the Union sent the Company a notice of deadlock in view of their inability to reconcile their positions on the main issues,[3] particularly on wages. The Union filed a notice of strike. However, on December 18, 1992, in a conference called by the NCMB, the Union and the Company agreed on a number of provisions of the CBA, including the provision on wage increase,[4] leaving only the issue of retirement to be threshed out. In time, this, too, was settled, so that in his record of the January 14, 1993 conference, the Med-Arbiter noted that "the issues raised by the notice of strike had been settled and said notice is thus

terminated." It would therefore seem that at that point, there was already a meeting of the minds of the parties, which was before the February 1993 end of the six-month period provided in Art. 253-A.

The fact that no agreement was then signed is of no moment. Art. 253-A refers merely to an "agreement" which, according to Black's Law Dictionary is "a coming together of minds; the coming together in accord of two minds on a given proposition."[5] This is similar to Art. 1305 of the Civil Code's definition of "contract" as "a meeting of minds between two persons."

The two terms, "agreement" and "contract," are indeed similar, although the former is broader than the latter because an agreement may not have all the elements of a contract. As in the case of contracts, however, agreements may be oral or written.[6] Hence, even without any written evidence of the Collective Bargaining Agreement made by the parties, a valid agreement existed in this case from the moment the minds of the parties met on all matters they set out to discuss. As Art. 1315 of the Civil Code states:

> Contracts are perfected by mere consent, and from that moment, the parties are bound not only to the fulfillment of what has been expressly stipulated but also to all the consequences which, according to their nature, may be in keeping with good faith, usage and law.

The Secretary of Labor found that "as early as January 14, 1993, well within the six (6) month period provided by law, the Company and the Union have perfected their agreement."[7] The claim of petitioner to the contrary notwithstanding, this is a finding of an administrative agency which, in the absence of evidence to the contrary, must be affirmed.

Moreover, the order of the Secretary of Labor may be considered in the nature of an arbitral award, pursuant to Art. 263(g) of the Labor Code, and, therefore, binding on the parties. After all, the Secretary of Labor assumed jurisdiction over the dispute because petitioner asked the Secretary of Labor to do so after the NCMB failed to make the parties come to an agreement. It is also conceded that the industry in which the petitioner is engaged is vital to the national interest. As

stated in the Order issued by the Secretary of Labor on March 10, 1993:[8]

> The services being provided by the Company evidently reflect their indispensability to the normal operations of the Davao City Pier where millions of crates and boxes of goods are loaded and unloaded monthly. The current disruption, therefore, of the Company's services, if allowed to continue, will cause serious prejudice and damages to the agricultural exporters, the cargo handlers, the vessel owners, the foreign buyers of agricultural products and the entire business sector in the area. These considerations and the dispute's implications on the national economy warrant the intervention by this Office to exercise its power under Article 263(g) of the Labor Code, as amended.

In St. Luke's Medical Center, Inc. vs. Torres,[9] a deadlock also developed during the CBA negotiations between management and the union. The Secretary of Labor assumed jurisdiction and ordered the retroaction of their CBA to the date of expiration of the previous CBA. As in this case, it was alleged that the Secretary of Labor gravely abused his discretion in making his award retroactive. In dismissing this contention this Court held:

> 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.

This case is controlled by the ruling in that case.

With respect to the issue of the creditability of the fourth and fifth year wage increases, the Court takes cognizance of the fact that the question was raised by the Company only when the six-month period was almost over and all that was left to be done by the parties was to sign their agreement. Before that, the Company did not qualify its position. It should have known that crediting of wage increases in the CBA as compliance with future mandated increases is the exception rather than the rule. For the general rule is that such increases are

over and above any increase that may be granted by law or wage order. As held in Meycauayan College vs. Drilon:[10]

> Increments to the laborers' financial gratification, be they in the form of salary increases or changes in the salary scale are aimed at one thing — improvement of the economic predicament of the laborers. As such they should be viewed in the light of the States avowed policy to protect labor. Thus, having entered into an agreement with its employees, an employer may not be allowed to renege on its obligation under a collective bargaining agreement should, at the same time, the law grant the employees the same or better terms and conditions of employment. Employee benefits derived from law are exclusive of benefits arrived at through negotiation and agreement unless otherwise provided by the agreement itself or by law.

For making a belated issue of "creditability," petitioner is correctly said to have "delay[ed] the agreement beyond the six (6) month period so as to minimize its expenses to the detriment of its workers" and its conduct to smack of "bad faith and [to run counter] to the good faith required in Collective Bargaining."[11] If petitioner wanted to be given credit for the wage increases in the event of future mandated wage increases, it should have expressly stated its reservation during the early part of the CBA negotiations.

WHEREFORE, the instant Petition is hereby **DISMISSED** for lack of merit.

SO ORDERED.

Regalado, Romero, Puno and Torres, Jr., *JJ.*, concur.

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[1] Rollo, p. 28.
[2] Id., p. 25.
[3] Respondent's Comment, p. 2, Rollo, p. 103.
[4] Ibid.
[5] BLACK'S LAW DICTIONARY 62 (5th Ed., 1979).
[6] Royal Lines, Inc. vs. Court of Appeals, 143 SCRA 609 (1986).
[7] Respondent's Comment, p. 8; Rollo, p. 109.
[8] Rollo, p. 53.

[9] 223 SCRA 779 (1993).
[10] 185 SCRA 50 (1990).
[11] Respondent's Comment, p. 9.