SUPREME COURT
FIRST DIVISION

INDOPHIL TEXTILE MILL WORKERS UNION-PTGWO,
***Petitioner*,**

-versus-

G.R. No. 96490
February 3, 1992

VOLUNTARY ARBITRATOR TEODORICO P. CALICA AND INDOPHIL TEXTILE MILLS, INC.,
***Respondents*.**
x----------x

D E C I S I O N

MEDIALDEA, *J.*:

This is a Petition for *Certiorari* Seeking the Nullification of the award issued by the respondent Voluntary Arbitrator Teodorico P. Calica dated December 8, 1990 finding that Section 1 (c), Article I of the Collective Bargaining Agreement between Indophil Textile Mills, Inc. and Indophil Textile Mill Workers Union-PTGWO does not extend to the employees of Indophil Acrylic Manufacturing Corporation as an extension or expansion of Indophil Textile Mills, Incorporated.

The antecedent facts are as follows:

Petitioner Indophil Textile Mill Workers Union-PTGWO is a legitimate labor organization duly registered with the Department of Labor and Employment and the exclusive bargaining agent of all the rank-and-file employees of Indophil Textile Mills, Incorporated. Respondent Teodorico P. Calica is impleaded in his official capacity as the Voluntary Arbitrator of the National Conciliation and Mediation Board of the Department of Labor and Employment, while private respondent Indophil Textile Mills, Inc. is a corporation engaged in the manufacture, sale and export of yarns of various counts and kinds and of materials of kindred character and has its plants at Barrio Lambakin, Marilao, Bulacan.

In April, 1987, petitioner Indophil Textile Mill Workers Union-PTGWO and private respondent Indophil Textile Mills, Inc. executed a collective bargaining agreement effective from April 1, 1987 to March 31, 1990.

On November 3, 1987, Indophil Acrylic Manufacturing Corporation was formed and registered with the Securities and Exchange Commission. Subsequently, Acrylic applied for registration with the Board of Investments for incentives under the 1987 Omnibus Investments Code. The application was approved on a preferred non-pioneer status.

In 1988, Acrylic became operational and hired workers according to its own criteria and standards. Sometime in July, 1989, the workers of Acrylic unionized and a duly certified collective bargaining agreement was executed.

In 1990 or a year after the workers of Acrylic have been unionized and a CBA executed, the petitioner union claimed that the plant facilities built and set up by Acrylic should be considered as an extension or expansion of the facilities of private respondent Company pursuant to Section 1(c), Article I of the CBA, to wit:

> "c) This Agreement shall apply to the Company s facilities and installations and to any extension and expansion thereat." (Rollo, p. 4)

In other words, it is the petitioner's contention that Acrylic is part of the Indophil bargaining unit.

The petitioner's contention was opposed by private respondent which submits that it is a juridical entity separate and distinct from Acrylic.

The existing impasse led the petitioner and private respondent to enter into a submission agreement on September 6, 1990. The parties jointly requested the public respondent to act as voluntary arbitrator in the resolution of the pending labor dispute pertaining to the proper interpretation of the CBA provision.

After the parties submitted their respective position papers and replies, the public respondent Voluntary Arbitrator rendered its award on December 8, 1990, the dispositive portion of which provides as follows:

"PREMISES CONSIDERED, it would be a strained interpretation and application of the questioned CBA provision if we would extend to the employees of Acrylic the coverage clause of Indophil Textile Mills CBA. Wherefore, an award is made to the effect that the proper interpretation and application of Sec. 1, (c), Art. I of the 1987 CBA do (sic) not extend to the employees of Acrylic as an extension or expansion of Indophil Textile Mills, Inc." (Rollo, p. 21)

Hence, this petition raising four (4) issues, to wit:

"1. WHETHER OR NOT THE RESPONDENT ARBITRATOR ERRED IN INTERPRETING SECTION 1 (c), ART I OF THE CBA BETWEEN PETITIONER UNION AND RESPONDENT COMPANY.

"2. WHETHER OR NOT INDOPHIL ACRYLIC IS A SEPARATE AND DISTINCT ENTITY FROM RESPONDENT COMPANY FOR PURPOSES OF UNION REPRESENTATION.

"3. WHETHER OR NOT THE RESPONDENT ARBITRATOR GRAVELY ABUSED HIS DISCRETION AMOUNTING TO LACK OR IN EXCESS OF HIS JURISDICTION.

"4. WHETHER OR NOT THE RESPONDENT ARBITRATOR VIOLATED PETITIONER UNION'S CARDINAL PRIMARY RIGHT TO DUE PROCESS." (Rollo, pp. 6-7)

The central issue submitted for arbitration is whether or not the operations in Indophil Acrylic Corporation are an extension or expansion of private respondent Company. Corollary to the aforementioned issue is the question of whether or not the rank-and-file employees working at Indophil Acrylic should be recognized as part of, and/or within the scope of the bargaining unit.

Petitioner maintains that public respondent Arbitrator gravely erred in interpreting Section 1(c), Article I of the CBA in its literal meaning without taxing cognizance of the facts adduced that the creation of the aforesaid Indophil Acrylic is but a devise of respondent Company to evade the application of the CBA between petitioner Union and respondent Company.

Petitioner stresses that the articles of incorporation of the two corporations establish that the two entities are engaged in the same kind of business, which is the manufacture and sale of yarns of various counts and kinds and of other materials of kindred character or nature.

Contrary to petitioner's assertion, the public respondent through the Solicitor General argues that the Indophil Acrylic Manufacturing Corporation is not an alter ego or an adjunct or business conduit of private respondent because it has a separate legitimate business purpose. In addition, the Solicitor General alleges that the primary purpose of private respondent is to engage in the business of manufacturing yarns of various counts and kinds and textiles. On the other hand, the primary purpose of Indophil Acrylic is to manufacture, buy, sell at wholesale basis, barter, import, export and otherwise deal in yarns of various counts and kinds. Hence, unlike private respondent, Indophil Acrylic cannot manufacture textiles while private respondent cannot buy or import yarns.

Furthermore, petitioner emphasizes that the two corporations have practically the same incorporators, directors and officers. In fact, of

the total stock subscription of Indophil Acrylic, P1,749,970.00 which represents seventy percent (70%) of the total subscription of P2,500,000.00 was subscribed to by respondent Company.

On this point, private respondent cited the case of Diatagon Labor Federation vs. Ople, G.R. No. L-44493-94, December 3, 1980, 101 SCRA 534 which ruled that two corporations cannot be treated as a single bargaining unit even if their businesses are related. It submits that the fact that there are as many bargaining units as there are companies in a conglomeration of companies is a positive proof that a corporation is endowed with a legal personality distinctly its own, independent and separate from other corporations. (see Rollo, pp. 160-161)

Petitioner notes that the foregoing evidence sufficiently establish that Acrylic is but an extension or expansion of private respondent, to wit:

(a) the two corporations have their physical plants, offices and facilities situated in the same compound, at Barrio Lambakin, Marilao, Bulacan;

(b) many of private respondent's own machineries, such as dyeing machines, reeling, boiler, Kamitsus among others, were transferred to and are now installed and being used in the Acrylic plant;

(c) the services of a number of units, departments or sections of private respondent are provided to Acrylic; and

(d) the employees of private respondent are the same persons manning and servicing the units of Acrylic. (see Rollo, pp. 12-13)

Private respondent insists that the existence of a bonafide business relationship between Acrylic and private respondent is not a proof of being a single corporate entity because the services which are supposedly provided by it to Acrylic are auxiliary services or activities which are not really essential in the actual production of Acrylic. It also pointed out that the essential services are discharged exclusively

by Acrylic personnel under the control and supervision of Acrylic managers and supervisors.

In sum, petitioner insists that the public respondent committed grave abuse of discretion amounting to lack or in excess of jurisdiction in erroneously interpreting the CBA provision and in failing to disregard the corporate entity of Acrylic.

We find the petition devoid of merit.

Time and again, We stress that the decisions of voluntary arbitrators are to be given the highest respect and a certain measure of finality, but this is not a hard and fast rule, it does not preclude judicial review thereof where want of jurisdiction, grave abuse of discretion, violation of due process, denial of substantial justice, or erroneous interpretation of the law were brought to our attention. (see Ocampo, et al. vs. National Labor Relations Commission, G.R. No. 81677, 25 July 1990, First Division Minute Resolution citing Oceanic Bic Division (FFW) vs. Romero, G.R. No. L-43890, July 16, 1984, 130 SCRA 392).

It should be emphasized that in rendering the subject arbitral award, the voluntary arbitrator Teodorico Calica, a professor of the U.P. Asian Labor Education Center, now the Institute for Industrial Relations, found that the existing law and jurisprudence on the matter, supported the private respondent's contentions. Contrary to petitioner's assertion, public respondent cited facts and the law upon which he based the award. Hence, public respondent did not abuse his discretion.

Under the doctrine of piercing the veil of corporate entity, when valid grounds therefore exist, the legal fiction that a corporation is an entity with a juridical personality separate and distinct from its members or stockholders may be disregarded. In such cases, the corporation will be considered as a mere association of persons. The members or stockholders or the corporation will be considered as the corporation, that is liability will attach directly to the officers and stockholders. The doctrine applies when the corporate fiction is used to defeat public convenience, justify wrong, protect fraud, or defend crime, or when it is made as a shield to confuse the legitimate issues, or where a

corporation is the mere alter ego or business conduit of a person, or where the corporation is so organized and controlled and its affairs are so conducted as to make it merely an instrumentality, agency, conduit or adjunct of another corporation. (Umali et al. vs. Court of Appeals, G.R. No. 89561, September 13, 1990, 189 SCRA 529, 542)

In the case at bar, petitioner seeks to pierce the veil of corporate entity of Acrylic, alleging that the creation of the corporation is a devise to evade the application of the CBA between petitioner Union and private respondent Company. While we do not discount the possibility of the similarities of the businesses of private respondent and Acrylic, neither are we inclined to apply the doctrine invoked by petitioner in granting the relief sought. The fact that the businesses of private respondent and Acrylic are related, that some of the employees of the private respondent are the same persons manning and providing for auxiliary services to the units of Acrylic, and that the physical plants, offices and facilities are situated in the same compound, it is our considered opinion that these facts are not sufficient to justify the piercing of the corporate veil of Acrylic.

In the same case of Umali, et al. vs. Court of Appeals (supra), We already emphasized that "the legal corporate entity is disregarded only if it is sought to hold the officers and stockholders directly liable for a corporate debt or obligation." In the instant case, petitioner does not seek to impose a claim against the members of the Acrylic.

Furthermore, We already ruled in the case of Diatagon Labor Federation Local 110 of the ULGWP vs. Ople (supra) that it is grave abuse of discretion to treat two companies as a single bargaining unit when these companies are indubitably distinct entities with separate juridical personalities.

Hence, the Acrylic not being an extension or expansion of private respondent, the rank-and-file employees working at Acrylic should not be recognized as part of, and/or within the scope of the petitioner, as the bargaining representative of private respondent.

All premises considered, the Court is convinced that the public respondent Voluntary Arbitrator did not commit grave abuse of discretion in its interpretation of Section 1(c), Article I of the CBA that

the Acrylic is not an extension or expansion of private respondent.

ACCORDINGLY, the Petition is **DENIED** and the award of the respondent Voluntary Arbitrator is hereby **AFFIRMED.**

SO ORDERED.

Narvasa, *C.J.*, Cruz and Griño-Aquino, *JJ.*, concur.
