

FOURTEENTH CONGRESS OF THE }
REPUBLIC OF THE PHILIPPINES }
Second Regular Session }

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SENATE
P.S. RES. NO. 1026

RECEIVED BY: A

Introduced by Senator M.A. Madrigal

RESOLUTION

DIRECTING THE COMMITTEE ON TRADE AND COMMERCE TO INVESTIGATE, IN AID OF LEGISLATION, LOCAL OIL COMPANIES' INCONSISTENT AND UNEXPLAINED INCREASES IN GASOLINE PRICES ALLOWED UNDER THE DOWNSTREAM OIL INDUSTRY DEREGULATION ACT OF 1998 RESULTING IN THE EXPLOITATION AND ABUSE OF THE CONSUMER

WHEREAS in 1998, Republic Act No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998, was enacted purportedly to liberalize and deregulate the downstream oil industry to ensure market competition to keep down oil prices for the benefit of the consumer;

WHEREAS instead of decreasing prices and promoting competition, the Downstream Oil Industry Deregulation Act of 1998 allowed the oligopolistic nature of the oil industry to prevail thereby allowing the oil cartel to dictate prices;

WHEREAS records show that instead of letting market forces determine the price of oil, local oil companies instead speculate in market futures, manipulate, and arbitrarily over-price oil prices, further hurting the already burdened consumer;

WHEREAS since the deregulation of the oil industry, endless rounds of oil price hikes have continuously occurred. According to a study conducted by IBON Foundation, Inc., since the deregulation of the oil industry, pump prices of gasoline have increased by at least 492% while diesel prices have increased by at least 607%;

WHEREAS since the deregulation of the oil industry, the three biggest oil companies in the country have declared a combined net income of P48 billion from the years 2001 to 2005;

WHEREAS reports show that the domestic profits of the three biggest oil companies in the Philippines do not even fully reflect their over-all profits

because, as local subsidiaries, they merely book their profits abroad through the deceiving practice of transfer pricing to camouflage their "super profits";

WHEREAS recently, when the price of oil in the international market skyrocketed to \$137 a barrel, local oil companies immediately raised their pump prices at a weekly basis to the chagrin of the consumer. However, when the price of oil in the international market dropped to \$35 a barrel in February 2009, local oil companies continue to refuse to decrease their prices notwithstanding the call of government agencies for them to do so;

WHEREAS as of April 2009, world oil prices have hovered at about \$45 (P2,100.00) per barrel. However, based on the records of the Department of Energy, local oil companies, as of April 2009, are selling gasoline and oil products equivalent to the price range of \$104 (P4,900.00) to \$127 (P6,000.00) per barrel;

WHEREAS National Economic and Development Authority Director General Ralph Recto stated that gasoline is currently overpriced by at least P8.00 a liter;

WHEREAS oil companies have continuously failed or refused to explain the mechanisms they use in setting oil prices and its relation to the crude oil world market and to the foreign exchange rate;

WHEREAS due to the Downstream Oil Industry Deregulation Act of 1998, the decades-long abuse of local oil companies remain unregulated by government, thus perpetrating further exploitation of the consumer;

WHEREAS some believe that the current government administration appears to have no intention to push for lower pump prices due to the indirect benefit it derives from the speculation-driven, artificially high oil prices because of the 12% value added tax on oil. In fact, from January 2006 to June 2008, VAT collections on oil reached P122.48 billion, or 56% of the total VAT revenues;

WHEREAS there is an urgent need to re-evaluate the Downstream Oil Industry Deregulation Act of 1998 in light of the abuse of the oligopolistic local oil cartel;

THEREFORE BE IT RESOLVED, AS IT IS HEREBY RESOLVED, to direct the Senate Committee on Trade and Commerce to investigate, in aid of legislation, local oil companies' inconsistent and unexplained increases in gasoline prices allowed under the Downstream Oil Industry Deregulation Act of 1998 resulting in the exploitation and abuse of the consumer.

Adopted,


M.A. MADRIGAL