

THIRTEENTH CONGRESS OF THE }  
REPUBLIC OF THE PHILIPPINES }  
First Regular Session

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SENATE

RECEIVED BY: \_\_\_\_\_

P.S. Res. No. 43

INTRODUCED BY HON. MANUEL B. VILLAR, JR.

**RESOLUTION**

**DIRECTING THE SENATE COMMITTEES ON ENERGY AND FINANCE, TO REVIEW THE PROVISIONS OF REPUBLIC ACT NO. 8479, OTHERWISE KNOWN AS THE "DOWNSTREAM OIL INDUSTRY DEREGULATION ACT OF 1998", ITS IMPACT TO THE PHILIPPINE ECONOMY AND THE FILIPINO CONSUMER, IN THE LIGHT OF RECENT EVENTS, WITH THE END VIEW OF RECOMMENDING POLICY MEASURE AS MAY BE NECESSARY TO IMPROVE THE ECONOMY AND PROTECT THE FILIPINO CONSUMERS**

**WHEREAS**, in February 1998, the Ramos administration approved Republic Act 8479, otherwise known as the "Downstream Oil Industry Deregulation Act of 1998," the second law on downstream oil deregulation;

**WHEREAS**, RA 8479 sought to liberalize and deregulate the downstream oil industry in order to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally-clean and high-quality petroleum products. The law also promotes and encourages the entry of new participants in the downstream oil industry. Thus, in the final analysis, the law contemplates a net benefit to the consumers due to increased choices;

**WHEREAS**, as of late last year, it was reported that there are already sixty (60) new oil companies. According to Department of Energy these players now have captured about 14 percent share of the oil market. With steady growth in the market share of new players, by the year 2005, it is projected that twenty percent (20%) of the total market will be in the hands of the new players;

**WHEREAS**, the Department of Energy reported that the entry of new oil companies has initiated inflow of additional capital in the country with actual investments of some Seventeen point four billion pesos (P17.4 billion) since 1998. Moreover, gasoline stations owned by the new players have increased from a mere 65 stations in June 1999 to 112 in December of the same year and 213 as of June 2000. Roughly, this may be translated to a semi-annual growth of almost 100 percent;

**WHEREAS**, there are claims that the competition brought in by these new players have resulted in better quality in terms of product and facilities, improved service at the gasoline stations, and a shift to a new image of service stations providing amenities within the facility's premises;

**WHEREAS**, despite the supposed benefits of the deregulation of the downstream oil industry, clamor for the repeal of RA 8479 law is growing;

**WHEREAS**, at the very on-set, downstream oil industry deregulation encountered resistance. While some lobby groups had been successful in

having the first downstream oil industry deregulation law, R.A. 8180, declared unconstitutional, the Supreme Court upheld the constitutionality of R.A. 8479;

**WHEREAS**, under RA 8476 a joint taskforce between the Department of Energy and Department of Justice was created. The joint task force is mandated to investigate and prosecute cases of predatory pricing, anti-competitive behavior and unreasonable oil price increases;

**WHEREAS**, the safety net notwithstanding, petroleum companies continuously hiked oil prices since the downstream oil industry was deregulated. Recently, an oil price hike of 1.80 pesos was imposed. Since January this year, it was reported that there has been an increase of 4.20 pesos in the price of gasoline and 3.00 pesos in the price of diesel;

**WHEREAS**, oil players projected that prices of oil may go up to P30 a liter in the next few weeks if the situation in the US occupation in Iraq and the terror attacks in Saudi Arabia worsen;

**WHEREAS**, oil deregulation did not put an end to the perceived profiteering of oil companies. In contrast, deregulation provided more opportunities for the oil firms to further bloat their profits as they are now allowed to hike their pump prices at whim.

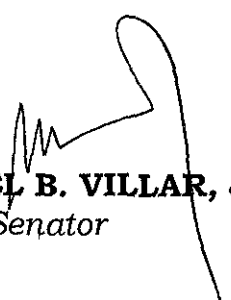
**WHEREAS**, notwithstanding the supposed entry of new players in the downstream oil industry, there remains to be an oligopoly and major oil players continue to control it. The new players are not involved in refining, one of the most important aspects of the oil industry's downstream level. Thus, most of the new players' petroleum products are imported. When world crude prices move, new players are not able to offer substantial changes in their pump prices that could seriously challenge the oil cartel;

**WHEREAS**, the series of price hikes had prompted the calls for a repeal of the Oil Deregulation Law;

**WHEREAS**, despite the clamor to revert back to the regulation of the downstream oil industry, some still claim that deregulation of the downstream oil industry must be maintained. It is argued that regulation will result to converting pricing into a politicized process, instead of being determined by actual market conditions. It is argued further that the variance between actual cost and the controlled price is an expenditure that will have to be taken from the government's budget;

**RESOLVED BY THE SENATE, AS IT IS HEREBY RESOLVED**, to direct the Senate Committees on Energy and Finance to review the provisions of Republic Act No. 8479, otherwise known as the "Downstream Oil Industry Deregulation Act of 1998", its impact to the Philippine economy and the Filipino consumer, in the light of recent events, with the end view of recommending policy measure as may be necessary to improve the economy and protect the Filipino consumers.

*Adopted,*

  
**MANUEL B. VILLAR, JR.**  
*Senator*