


FOURTEENTH CONGRESS OF THE REPUBLIC)  
OF THE PHILIPPINES )  
First Regular Session )

OFFICE OF THE SECRETARY

8 JAN 15 2008

RECEIVED BY 

SENATE  
P.S.R. No. 264

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Introduced by Senator Miriam Defensor Santiago

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RESOLUTION DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN  
INQUIRY, IN AID OF LEGISLATION, ON PROPOSALS TO CUSHION THE ADVERSE  
ECONOMIC IMPACTS OF SKYROCKETING OIL PRICES

WHEREAS, last 1 January 2008, oil prices rose to \$100 a barrel at the international market;

WHEREAS, to cushion the impact of skyrocketing oil prices on local fuel prices, Malacañang announced a reduction in the tariff on oil imports to two percent from 3 percent; the cut in oil tariff is expected to have an impact only on prices of diesel because the government instructed oil companies to reflect the lower tax only on diesel prices, instead of all oil products; most public utility vehicles use diesel;

WHEREAS, according to the *Philippine Daily Inquirer*, in a 10 January 2008 article entitled "1% oil tariff cut not enough, solons say," party-list legislators reportedly said that the one-percent reduction in the tariff on oil imports will not address the need to protect consumers from the impact of rising oil prices;

WHEREAS, the following proposals have been proffered to soften the impact of high oil prices: removal of VAT on oil products; review and repeal of the Oil Deregulation Law; establishment of mechanisms for the centralized procurement of oil; establishment of a buffer fund and buffer supply; and public hearings to determine oil price increases;

WHEREAS, the proposal to lift the VAT on oil products has been met with stiff opposition from financial analysts and policy makers;

WHEREAS, according to a news report entitled "Moody warns gov't on lifting VAT on oil," in the 10 January 2008 issue of the *Philippine Daily Inquirer*, analysts from US-based financial rating body Moody's has warned of a sovereign credit-rating downgrade if the government gives in to a proposal to suspend collection of the 12-percent VAT on oil;

WHEREAS, the Department of Finance has reportedly warned that the government stands to lose P54 billion in potential revenues this year should the proposed lifting of VAT on oil be implemented; foregone revenues of such amount would reportedly derail the government's plan to finally balance the national budget this year;

WHEREAS, a thorough study must be undertaken by Congress to determine the appropriate legislation for a mechanism that will cushion the impact of high oil prices in the world market, to ensure that the mechanism will be the most cost-efficient for all and will not adversely affect the credit standing of the country;

WHEREFORE, be it hereby resolved by the Philippine Senate, to direct the proper Senate committee to conduct an inquiry, in aid of legislation, on proposals to cushion the adverse economic impacts of skyrocketing oil prices.

Adopted,

  
MIRIAM DEFENSOR SANTIAGO

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