



REPUBLIC OF THE PHILIPPINES

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Journal

SESSION NO. 72

Monday, May 5, 2008

**FOURTEENTH CONGRESS
FIRST REGULAR SESSION**

SESSION NO. 72
Monday, May 5, 2008

CALL TO ORDER

At 3:39 p.m., the Senate President, Hon. Manny Villar, called the session to order.

PRAYER

Sen. Alan Peter "Compañero" S. Cayetano led the prayer, to wit:

Matthew 6:19 tells us:

"Do not lay up for yourselves treasures on earth, where moth and rust destroy and where thieves break in and steal, but lay up for yourselves treasures in heaven, where neither moth nor rust destroys and where thieves do not break in and steal. For where your treasure is, there your heart will be also."

Lord, Father God, we praise Your Name and we ask that the treasures of all public servants will be in serving You and Your people.

We pray, Lord, that as we examine ourselves and our consciences, as we examine, Lord, all the work that we have to do, You will give us wisdom, strength, healing, that we may provide solutions for the many, many problems of our country.

We lift up to You each and every leader and elected official in our country.

We lift up to You the Senate, the Upper Chamber, and we ask, Lord, that You will give us all the wisdom and stamina to pass all the bills and resolutions we need to.

We lift this up to You in the Name of Jesus, our Lord and Savior.

Amen.

NATIONAL ANTHEM

The Senate Choir led the singing of the national anthem.

ROLL CALL

Upon direction of the Chair, the Secretary of the Senate, Emma Lirio-Reyes, called the roll, to which the following senators responded:

Aquino III, B. S. C	Honasan, G. B.
Arroyo, J. P.	Lacson, P. M.
Biazon, R. G.	Lapid, M. L. M.
Cayetano, A. P. C. S.	Legarda, L.
Cayetano, C. P. S.	Pangilinan, F. N.
Defensor Santiago, M.	Pimentel Jr., A. Q.
Ejercito Estrada, J.	Revilla Jr., R.B.
Enrile, J. P.	Roxas, M.
Escudero, F. J. G.	Villar, M.
Gordon, R. J.	Zubiri, J. M. F.

With 20 senators present, the Chair declared the presence of a quorum.

Senators Angara and Madrigal were on official mission, the former, abroad.

Senator Trillanes was unable to attend the session as he is under detention.

APPROVAL OF THE JOURNAL

Upon motion of Senator Pangilinan, there being no objection, the Body dispensed with the reading

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of the Journal of Session No. 71 and considered it approved.

REFERENCE OF BUSINESS

The Secretary of the Senate read the following matters and the Chair made the corresponding referrals:

BILLS ON FIRST READING

Senate Bill No. 2234, entitled

AN ACT ESTABLISHING THE NATIONAL LAND TRANSPORTATION AUTHORITY, APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES

Introduced by Senator Antonio "Sonny" F. Trillanes IV

To the Committees on Civil Service and Government Reorganization; Public Services; Ways and Means; and Finance

Senate Bill No. 2235, entitled

AN ACT REGULATING THE PRACTICE OF GEOLOGY IN THE PHILIPPINES, REPEALING FOR THE PURPOSE REPUBLIC ACT NUMBERED FOUR THOUSAND TWO HUNDRED NINE (R.A. NO. 4209), OTHERWISE KNOWN AS "GEOLOGY PROFESSION ACT OF THE PHILIPPINES" AND FOR OTHER PURPOSES

Introduced by Senator Antonio "Sonny" F. Trillanes IV

To the Committees on Civil Service and Government Reorganization; Environment and Natural Resources; and Finance

Senate Bill No. 2236, entitled

AN ACT PROVIDING FOR A CAP ON PUBLIC DEBT TO ENSURE LONG-TERM FINANCIAL SUSTAINABILITY THROUGH FISCAL DISCIPLINE

Introduced by Senator Antonio "Sonny" F. Trillanes IV

To the Committees on Finance; and Economic Affairs

Senate Bill No. 2237, entitled

AN ACT PROVIDING FOR A GRANT OF REWARD TO INFORMERS OF VIOLATIONS OF REPUBLIC ACT NO. 7080 AND/OR REPUBLIC ACT NO. 1379 AND FOR OTHER PURPOSES

Introduced by Senator Antonio "Sonny" F. Trillanes IV

To the Committee on Justice and Human Rights

RESOLUTION

Proposed Senate Resolution No. 379, entitled

RESOLUTION DIRECTING THE SENATE COMMITTEE ON HEALTH AND DEMOGRAPHY AND OTHER APPROPRIATE COMMITTEES IN THE SENATE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE HEALTH AND SAFETY POLICIES, REGULATIONS AND STANDARDS IMPLEMENTED BY THE GOVERNMENT IN RELATION TO THE CONVERSION OF TAXI CABS INTO LPG FUELED VEHICLES, WITH THE END IN VIEW OF ENACTING LEGISLATIVE MEASURES THAT WILL ENSURE THE HEALTH AND SAFETY OF THE GENERAL PUBLIC AGAINST THE HEALTH RISKS ASSOCIATED WITH LPG INHALATION

Introduced by Senator Manuel "Lito" M. Lapid

To the Committees on Health and Demography; and Public Services

ADDITIONAL REFERENCE OF BUSINESS

BILLS ON FIRST READING

Senate Bill No. 2238, entitled

AN ACT ESTABLISHING A DEPARTMENT OF AGRICULTURE, STATE

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AGRICULTURAL COLLEGE AND
LOCAL GOVERNMENT UNIT
COOPERATIVE EXTENSION
RESEARCH SERVICE, PROVIDING
FUNDS THEREFOR AND FOR
OTHER PURPOSES

Introduced by Senator Gordon

**To the Committees on Agriculture and Food;
Education, Arts and Culture; and Finance**

Senate Bill No. 2239, entitled

AN ACT TO HASTEN TITLING OF
RESIDENTIAL LANDS OF THE
PUBLIC DOMAIN BY EXTENDING
THE GRANT OF FREE PATENT TO
RESIDENTIAL LANDS UNDER
CERTAIN CONDITIONS

Introduced by Senator Juan Miguel F. Zubiri

**To the Committees on Constitutional
Amendments, Revision of Codes and Laws;
and Environment and Natural Resources**

Senate Bill No. 2240, entitled

AN ACT PROVIDING FOR THE MAGNA
CARTA OF WOMEN

Introduced by Senator Juan Miguel F. Zubiri

**To the Committee on Youth, Women and
Family Relations**

**PRIVILEGE SPEECH
OF SENATOR ROXAS**

Availing himself of the privilege hour, Senator Roxas called the Body's attention to the fact that amid rising oil prices as seen in the recent P1/liter increase of retail pump prices, and that world oil prices have breached the \$100/barrel level, government even lauded the decision of Aramco Overseas Corporation (AOC) to sell its 40% share in Petron Corporation to Ashmore Ltd. He expressed concern that unless government, which also has a 40% share in the oil firm through the Philippine National Oil Company (PNOC), exercises its right of first refusal on these shares before next Monday, about 40% of Petron would be owned by Ashmore Ltd.

He noted that the transaction is not a simple intercorporate financial arrangement because aside from the fact that Petron's refinery produces 180,000 barrels of the country's estimated daily demand of 330,00 barrels, the oil firm is also reputed to have a 40% share of the domestic oil market.

He recalled that the government's decision to sell its 40% stake in Petron to the AOC in 1994 was meant to ensure a steady supply of crude for Petron considering that Saudi Arabia had much oil resources. He also noted that diplomatic pilgrimages always had the parallel objective of ensuring that not only would the Philippines maintain a good relationship with Saudi Arabia but would also have regular oil supply through Petron.

Senator Roxas pointed out that Ashmore is a profit-oriented financial company or a hedge fund manager, it does not engage in crude oil or petroleum operations but is simply involved in buying and selling shares in different corporations engaged in various businesses worldwide which, in the case of its plan to purchase Petron shares, would amount to US\$550 million – a price nearly the same as that paid by Saudi Aramco in 1994. At a time when there is great uncertainty relative to the supply and price of oil, he asked whether it would be prudent for government to exercise its right of first refusal in order to place the strategic ownership position in Petron in “parallel strategic hands” such as Brunei, the United Arab Emirates, Indonesia, Malaysia or other countries that have access to oil. He pointed out that treating the sale of shares by Saudi Aramco to Ashmore as a purely financial transaction would render the rationale for the initial sale of Petron shares in 1994 not only obsolete but also ineffective since government's exercising of its right of first refusal would have ensured that the 40% ownership interest would remain in “friendly hands.” He expressed doubt on whether a faceless hedge fund like Ashmore could qualify as such specially during this time when there is scarce supply and high price of the commodity.

In closing, he believed that government owes the public an explanation as to why it treated such a major transaction so benignly rather than exercising its right of first refusal and arrange a secondary sale in order to put Petron shares in other “friendly hands.”

INTERPELLATION OF SENATOR ARROYO

Preliminarily, Senator Arroyo believed that the creation of the PNOC in 1974 was one of the best

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moves of former President Marcos since Petron Corporation served as a buffer against volatile oil prices during the oil crisis at that time. He noted that PNOC and Petron were the money-making government corporations, particularly the latter because it cornered up to 60% of the local market, and the regulated oil industry also ensured that private oil firms, such as Caltex and Shell, could not manipulate oil prices. However, he noted that it was during the term of President Ramos that government deregulated the oil industry and sold 60% of its shares in Petron Corporation, with 20% going to the public and 40% to Saudi Aramco on the assurance that the Philippines would never be short of oil, but the fact was that the country was never given a concessional price. He believed that Saudi Aramco's decision to sell its stake in Petron might stem from the fact that profits from its Philippine operations are small compared with those it had in other countries. He wondered whether Senator Roxas was suggesting that the government buy back the 40% share.

Senator Roxas replied that he wanted government to explain its decision of not having exercised its right of first refusal so that it could place these shares in "friendly hands" with access to oil.

Senator Arroyo compared the country's present situation to the toothpaste principle — once the toothpaste is pressed out of the tube, it can never be returned to the tube. He pointed out that government had blundered in 1994 and buying back the 40% share of Saudi Aramco without going back to regulation would not correct the problem. He emphasized that the sale from Saudi Aramco to Ashmore must be treated in the context of how it can solve the oil problem and whether it can lower oil prices. He cautioned that if government gets 80% of Saudi Aramco, buys oil at an expensive price and sells it cheap, this would result in Petron going down the drain. He said that in the open market, government can get 11% of the public's 20% share to add to its 40% share and gain control over Petron without spending too much money.

Senator Roxas stated that the main aspects affecting the oil situation are supply regularity, predictability, security of supply as well as price. He said that Saudi Aramco might not have given the country any concessional pricing but it was instrumental in ensuring the security of supply. He clarified that he was not advocating the buy-back of Saudi Aramco's shares; he simply wanted that

government should exercise the right of first refusal so that it can place the shares with another buyer who can continue to ensure the security of supply that Saudi Aramco has given all these years.

Senator Arroyo said that it is the duty and responsibility of government to always intervene in transactions concerning a vital product like oil and people should know about these transactions.

As regards the right of first refusal, Senator Roxas explained that it is not simply an exercise to own back 80% of the shares but to find some other buyer that would have access to oil. With respect to the price of oil, he said that the country just paid for the same price that everybody else paid since there can be no concessional pricing expected from anybody.

Senator Roxas stated that government should explain to the public why it is not concerned over the sale of 40% share in Petron, which owns 40% share of the domestic market of oil, a strategically crucial product, to a hedge fund that has no oil operations at all and whose business is the simple owning and buying of equity interest in various companies.

Asked if he would agree that oil regulation should be put in place again, Senator Roxas replied that if there are alternative ways to ensure that the country is not being taken advantage of, it would then be much more useful than simply to re-regulate. He noted that the Oil Deregulation Law has an unused provision that empowers the DOE to obtain necessary information in order to establish whether the country is being taken advantage of or not; the DOE can open up books to obtain information, not necessarily to disclose it to the public but to arrive at a judgment on whether there are extraordinary profits being made.

Senator Roxas added that Senator Enrile has started the process of updating and renewing anti-trust and anti-monopoly laws and a special Subcommittee on Trade and Commerce has been formed specially to look into trade activities and the creation of a fair trade commission to stop illegal trade activities.

Asked if excess of profit on the part of oil companies should be a cause for concern, Senator Roxas said that he has no basis for making such determination but he stressed that the DOE should

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exercise its power under the law to establish whether extraordinary profits are being made by some companies. He pointed out that the authors of the Oil Deregulation Law provided a check and balance mechanism to balance out the interest of large players, either political or economic, for and in behalf of the people. He said that Mr. Raul Concepcion, who is a consumer advocate, has been saying that the oil price increases are unjustified given the worldwide movement in prices as reported in the international media.

Asked if there are still oil companies that maintain refineries in the country, Senator Roxas replied that Petron and Shell are operating their respective refineries in Bataan and Batangas. He said that all refineries should continue to operate in the country because they produce oil that is generally sold by governmental entities and that spikes in prices would be much more vulnerable to insecurity of supply if refineries are not operating in the country. He said that Caltex, like all the other new players, imports finished products from Singapore.

Senator Arroyo asked whether oil smuggling lowers or raises oil price. Senator Roxas surmised that a smuggler who is not conscious of public interest would sell it at the existing price, thus, making the profit from the VAT and tariff exemptions.

Senator Arroyo stated that oil price would be affected if the volume of smuggled oil is plentiful. Senator Roxas agreed that it would retard the price because, theoretically, there would be a competing product.

On whether he is agreeable to reducing the imposts on oil which give a remarkable income for government, Senator Roxas replied that he has been an advocate of removing oil from the list of products subject to VAT even if it means a revenue loss of roughly P10 billion. He pointed out that delisting oil and petroleum products would give the people an immediate relief of P5 per liter of oil and P50 per LPG tank, money they would spend on other products that are subject to VAT. When VAT was first imposed, he recalled, oil was trading at \$30 a barrel compared to the present rate which is in excess of \$100 a barrel. The burden, therefore, is three times what it was when the legislature was debating VAT on oil, he said. He reiterated that it is high time government considered this alternative of removing oil from products subject to VAT.

Senator Arroyo said that even in the United States, there has not been any agreement on whether or not the removal of VAT on oil products would be useful. Nevertheless, he pointed out that government must focus on how oil prices can be reduced to help the public, otherwise, all debates on the issue would be useless.

INTERPELLATION OF SENATOR ENRILE

Asked by Senator Enrile if he knows anything about Ashmore other than being a fund manager, Senator Roxas replied that Ashmore has been an early investor in the Philippines and owns a portion of one of the banks in the country.

Senator Enrile stated that Ashmore is a big fund manager in England and is known as a "vulture" capitalist not staying long in a country where it has made profit. Senator Roxas agreed that hedge funds have been described as "vulture" capitalists because they sell and trade everything.

To the information that Ashmore is going to buy out Saudi Aramco's Petron shares for \$550 million and expects to make a profit of \$950 million from the transaction. Senator Roxas replied that he is not familiar with the issue but he knows that 40% of Petron was sold to Saudi Aramco for about \$530 million in 1994 and 14 years later, Ashmore is buying it at roughly \$555 million, hence, Saudi Aramco is not even getting bank interest as a return on its investment.

Senator Enrile said that the only way Ashmore can make that kind of profit is to play the market by jacking up the price of the market twice or thrice as it had done in many countries. He stated that Ashmore is not engaged in oil business but in money trading, and it goes wherever it can to find easy money like what it is going to do in the case of the 40% holding of Saudi Aramco. Moreover, he noted that the oil company has made plenty of money from the Philippines by selling its crude to a captive market and getting back its own capital and, at the same time, the country has a supply contract with Petron for 20 years. Therefore, he concluded, even if Aramco gets out of Petron, it will continue to supply the market. On the other hand, he said that Ashmore will unload the shares in the market at some future time to make its \$950 million profit, leaving Filipinos who are gullible enough to stay in the market injured. That being the case,

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he asked why there is need to buy back the 40% from Saudi Aramco.

In reply, Senator Roxas explained that the intention is not to buy back simply to buy and hold but to buy back in order to place the shares with strategic investors similar in profile to Saudi Arabia so that the Philippines can be assured of the predictability of oil supply.

But Senator Enrile pointed out that there is a long-term supply contract between Saudi Aramco and Petron, and also, the refinery of Petron cannot crack any other crude except Saudi Sweet crude.

Senator Roxas stressed the need for government to exercise its right of first refusal over a strategic asset that has always been marketed based on a special relationship with Saudi Arabia because it would ensure a steady supply of oil for the country.

Senator Enrile maintained that the country's long-term supply contract with Saudi Aramco would allow the latter to raise its price based on the world price. Notably, he said, it makes money out of its crude, not out of its shares of stock because it has not sold any unlike Ashmore which will come in and get the 40%, unload it in the market while Philippine government still has its contract with Saudi Aramco. This being the case, he wondered who would buy the 40% Saudi Aramco share plus the 40% government share. He then proposed that government get out of Petron, sell the 40% and let Ashmore tackle the problem.

Senator Roxas stressed the need to look into the transaction in the context of what it deals with—oil, a strategic and critical raw material, and the need for a long-term plan.

Senator Enrile noted that under the contract between Saudi Aramco and Petron, both should equally make a tender to the other; therefore, Ashmore should be asked to make a tender to the 20% of the Petron employees and the 40% of the government so that it can take the whole thing lock, stock and barrel.

At this juncture, Senator Enrile recalled that it was he and Geronimo Velasco who negotiated the purchase of the company from Esso and Mobile Oil for a strategic purpose. He agreed with Senator Arroyo that it was bought at a time when the company was under a regulated system; but now

that government has deregulated the oil market, he strongly believed there is no use for having any government shares in any of the oil companies. He disclosed that there was a time when he and Senator Defensor Santiago sat patiently to hear the issues from the executives of Saudi Aramco in the presence of the finance secretary who also agreed that it is high time the Philippine government let go of its 40% share in favor of Ashmore. Senator Roxas replied that whether or not the decision of the government to reacquire, to exercise its right of first refusal in order to reacquire and do a secondary sale to others or to piggyback its 40% ownership together with the other 20% on the transaction itself, there must be a strategic decision by government. The fact that the transaction is being allowed to implement itself within one week without much discussion, he said, compelled him to suspect that it was not given sufficient consideration.

Senator Enrile proposed that the people handling the transaction must watch out because if Ashmore gets the 40%, it can unload it in the market and the poor Filipinos would be left holding the bag; government cannot sell the shares in any other market except the Philippine market and the issue price can crash in the stock market. He informed the Body that under the contract, if the Saudi Aramco shares are sold, the other shares must equally be bought.

Senator Roxas thanked Senator Enrile for the information. He pointed out the need to disseminate properly all relevant information to ensure that government would make the right decision.

Senator Enrile proposed that the proceeds of the sale for the shares be used to improve the country's agricultural sector particularly the dilapidated irrigation system.

INTERPELLATION OF SENATOR GORDON

Asked by Senator Gordon what entity allowed the conversion of Petron's refinery to handle only Saudi sweet crude, Senator Enrile, to whom Senator Roxas yielded the floor, stated that he does not have any knowledge of it. He believed that Saudi Aramco enticed the government to buy Petron's 40% with a promise of a long-term crude supply contract. He surmised that Saudi Aramco had intended to convert Petron's refinery to handle its Saudi sweet crude and thereby assures a market for it. He said that nobody would buy the refinery unless it can refine sweet

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crude which is very expensive. He recalled that during the hearing, the Filipino representatives of Petron went out of their way to convince the senators that buying the 40% Saudi Aramco shares would be to nation's best interest, but when he asked them the questions he earlier propounded, they had a hard time answering.

Senator Gordon said that there is no point in government owning shares of Petron because the industry has been deregulated. He wondered if the government has professional negotiators who have knowledge in transactions of this nature.

INTERPELLATION OF SENATOR ZUBIRI

At the outset, Senator Zubiri averred that for as long as the country does not produce oil, there cannot be a long-term solution to the oil price increase in the coming weeks. He welcomed the resolution filed by Senator Biazon as it would certainly bring forth debates on the need for a food security program as well as a fuel security program.

Asked if one of the long-term solutions to importing oil would be finding fuel alternatives, Senator Roxas replied in the affirmative, adding that people are consuming oil much faster than nature is turning carbon deposits into oil deposits, and oil may run out in the next generation.

Senator Zubiri pointed out that those who oppose the biofuels program say that it is competing with food production but he believed otherwise, noting that cereals, for instance, is not allowed under the Biofuels Act. He stated that the Philippines is using the Brazilian model which uses sugar for ethanol production. He explained that the sugar produced by Capiz, Panay Island, Negros, Bukidnon and Tarlac could produce the 65% to 70% needed for the country's biofuels program because as reported in the last Biofuels Board meeting, the country can produce 2.2 million metric tons of sugar that can produce 3.3 billion liters of ethanol in one year.

Using the Brazilian model, Senator Zubiri asked whether Senator Roxas would agree to a proposal to use all sugar produced in the Philippines for ethanol production and thereby make the country 65% to 70% gasoline independent, adding that imported sugar has a landed cost of P600 while local sugar, with its tariff protection, has a farm gate price of P1,000. In reply, Senator Roxas stated that the proposal deserves

further study. Admitting that he was not privy to the transaction between Saudi Aramco and the Philippine government, he nonetheless reiterated that government has to explain why it did not exercise its right of first refusal or why it did not piggyback its 40% share on the 40% sold to Ashmore, adding that "piggyback" is a common practice in most stock purchase agreements between two strategic partners.

Senator Zubiri stated that he also favors a buyback scheme if indeed government sees the need to get back its majority share in Petron. He bared that the state-owned oil company in Brazil sells a 65% ethanol mix at the pumps at P28 per liter and if the Philippines succeeded in getting back 80% of Petron and use its distribution facilities for a higher ethanol blend, the cost at the pumps would be cut almost in half. However, he stressed that if the alternative fuels program impacts the food security program, meaning rice and cereal production, he would be the first to support the proposal to put a halt to it.

At this juncture, Senate President Villar relinquished the Chair to Senate President Pro Tempore Ejercito Estrada.

INTERPELLATION OF SENATOR ESCUDERO

Senator Escudero asserted that Saudi Aramco has held the Philippines hostage given the fact that the local refineries can accommodate Saudi sweet crude quite well; in fact, according to some PNOC experts, there is a one-on-one correspondence, meaning a barrel of Saudi sweet crude can yield one barrel of refined oil, whereas, another oil type can only yield 50% refined oil. Noting the Saudi Aramco bought the shares in 1994, he believed that the company took a long time to sell them so it could earn a profit at the opportune time.

Asked how much Saudi Aramco expects to gain from the sale of the shares to Ashmore, Senator Roxas replied that according to his research, Saudi Aramco bought the 40% share in 1994 at US\$530 million and, after 14 years, would sell it for US\$555 so it would not earn much. He said that he did not know about the company's equity investment in the intervening years. Saying that the others players – Saudi Arabia, Saudi Aramco and Ashmore — looked out for their own interest, he underscored that in the case of the Philippines, it must be determined if there is indeed a secure pipeline and whether government looked out for the country's interest.

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For his part, Senator Escudero believed that the Philippines should buy back the shares but the question, he said, is whether the government has the P23 billion or whether it will exercise the right of first refusal. He asked whether the Philippines would exercise its right of first refusal to the entire 40% block or a portion thereof, say 11%, and thereafter increase PNOC's shareholdings from 40% to 51%, the controlling share. Senator Roxas stated that conventionally, the right of first refusal is for the entire block, otherwise, Saudi Aramco could say nobody is willing to buy the block. He noted that several suggestions had been made, among them to buy back 40% of the government's share, retain 11% and sell the balance to the public or to other strategic investors or sell all the 40% to Ashmore. The obvious fact, he pointed out, is that even the highest levels of policymaking bodies in government have insufficient information about the transaction to be able to make a good decision on the matter, and government could not explain why it is not exercising its right of first refusal and how it arrived at the decision.

Given the absence or lack of transparency in the transaction and the goings-on within Petron, Senator Escudero stated that there is no difference whether the government share is 10%, 5%, 40% or even 49% because it is not the controlling share. Noting that Petron, Caltex and Shell are among the top 100 corporations in the country, he said that what surprised him was that these companies always announce that they would be raising their prices because of big losses but they always announce large profits in their year-end report to stockholders. He wondered why PNOC is not giving out information on the matter. Senator Roxas said that since government owns 40% of the shares, the secretary of energy has sufficient legal and economic standing to obtain the information to ensure that the public is not being taken advantage of.

Senator Escudero said that Ashmore is a fund manager and it is buying into Petron because it foresees short-term or even long term-profit from the transaction. Given the absence or lack of any adequate studies with respect to a buy-back option, he opined that the option of the government is to buy the 40% share back and sell the 29% to the public or to an interested party and retain, through the PNOC, 11% to be able to have a controlling stake in Petron.

Drawing a parallelism, Senator Escudero said that with respect to rice, the National Food Authority (NFA), formerly the National Grains Authority, was

created by the Marcos administration with a market share reaching more than 40%, the reason why it could influence the price of grains that it buys from farmers and even the selling price in the market. He believed that if government could muster the same influence with respect to fuel products, any abuses committed by the other players could be checked. Likewise, he said that the public would know whether it is earning or not if it has the ability to get the information.

Asked on his position with respect to the review or amendment of the Oil Deregulation Law, Senator Roxas said that he fully supports the review of the law to be able to ascertain that the public is not being taken advantage of.

Senator Escudero manifested his support for a review and amendment of the Oil Deregulation Law because of its failure to keep the promise of eventually bringing down the prices of oil products. He also suggested reverting to the old system, if necessary, if it would be to the country's best interests.

INQUIRY OF SENATOR ARROYO

Considering that 40% of Petron was sold to Saudi Aramco in 1994 at US\$550 million at the exchange rate of P26 to US1\$, and is now being sold in the same amount at the exchange rate of P42 to a dollar, Senator Arroyo asked how much government would part with if it exercised the right of first refusal. Senator Roxas affirmed that government would be paying 60% more given the current exchange rate. However, he said that while it might appear more, in real terms, the value of the peso is now lesser because it has declined 14 years since. Moreover, he disclosed that his advocacy is to buy back the shares in order to place them in "friendly hands" that have something to do with the oil business. He said that this is something that must be decided by the government, the shares being a major strategic asset owned by the people through government. Thus, he stressed that the matter should not be treated or looked upon as a simple commercial transaction.

INTERPELLATION OF SENATOR AQUINO

Senator Aquino recalled that one of his advocacies in the House of Representatives was to review the petroleum purchases of the DND and AFP. He disclosed that based on his findings, from 1974 up to 2008, the system has remained unchanged with Petron, for all intents and purposes, remaining as the

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sole supplier of petroleum products for the DND and AFP. Moreover, he revealed that the requirement for bidding has occurred only in the last few years and this has always resulted in failed biddings; thus, in effect, the supply agreement favored Petron all the time. He recalled that during discussions on the 1994 Crude Oil Supply Agreement, the condition was that the excess profits of Petron would also accrue to the government, but after 1994, no review of the agreement was ever conducted. He lamented that the recent sale of PNOC-EDC had further lessened the government's control over sources of energy as well as its influence over the prices of oil products. He also pointed out that from a mere theory of jump-starting the planting of jatropa, the biofuels program has become a large-scale campaign with Land Bank of the Philippines offering massive amounts of funds or credit facilities and thousands of hectares being prepared for the planting of jatropa.

Senator Aquino asked if the government has any clear-cut policy with regard to the energy situation, in light of the recent invitation of the Department of Energy to some major companies to explain the increases in the pump prices *vis-a-vis* the government's statement that it is powerless to do anything about the prices. Senator Roxas replied that he could not detect a comprehensive energy policy, although he is aware that the government tries to respond on a tactical or case-to-case basis to specific increases in prices of gasoline, diesel or LPG. He also noted that the government had put in place a tariff reduction formula which is just marginal.

Senator Aquino asserted that the issue of increasing oil prices has an attendant effect on the price of any commodity that has to do with oil. He pointed out that in 2005, when the EVAT Law was being crafted, the price of oil was P30 per barrel and the nightmare scenario was that it might reach \$100 per barrel. Presently, he noted, oil is trading at \$120 per barrel and the prediction is that it might reach P200 per barrel, an 800% increase from 2005. Senator Roxas observed that the \$200 per barrel predicted by Deutsche Bank means P100 per liter pump price.

Asked what studies, if any, had been made on the impact of the oil price increase on the economy and on job retention, among others, and whether the Philippines could survive it in the absence of any plan to mitigate its ill effects, Senator Roxas replied that he is not aware of any study on the matter and expressed the belief that if the price of oil hits \$200

per barrel anytime soon, the country would survive it as it has always survived any crisis. The question, he said, is in what shape the country would come out of it in terms of human suffering. He reiterated his advocacy for the removal of VAT on oil products, believing that it is one of the immediate solutions.

REFERRAL OF SPEECH TO COMMITTEE

Upon motion of Senator Pangilinan, there being no objection, the Chair referred the privilege speech of Senator Roxas and the interpellations thereon to the Committee on Trade and Commerce.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 5:25 p.m.

RESUMPTION OF SESSION

At 5:26 p.m., the session was resumed.

CREATION OF SUBCOMMITTEES

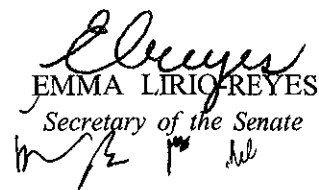
Senator Pangilinan manifested that pursuant to the rules, Senator Cayetano (P), as chair of the Committee on Health and Demography, has created a subcommittee to hear Senate Bill Nos. 1209 and 1372 on hearing loss detection; and, as chair of the Committee on Environment and Natural Resources, she has created a subcommittee to hear Senate Bill No. 1890 and resolutions on climate change, both of which shall be chaired by Senator Legarda.

ADJOURNMENT OF SESSION

Upon motion of Senator Pangilinan, there being no objection, the Senate President Pro Tempore declared the session adjourned until three o'clock in the afternoon of the following day.

It was 5:27 p.m.

I hereby certify to the correctness of the foregoing.


EMMA LIRIO REYES
Secretary of the Senate

Approved on May 6, 2008