

HOUSE OF REPRESENTATIVES

Introduced by Representative Rufus B. Rodriguez and
Representative Maximo B. Rodriguez, Jr.

House Bill No. 4416

EXPLANATORY NOTE

For the first two months and a half of 2011, oil companies in the Philippines have already increased gas and diesel prices by a total P5 per liter. And with the ongoing crisis in the Middle East, prices may still rise.

While it may be true that there are factors that control the prices of oil in the world market which the Philippine oil companies cannot control, it also cannot be argued that these oil companies are reaping the benefits in the form of billions of pesos in revenues and income.

Petron Corporation reported that it returned to profitability after posting a net income of P4.3 billion for the year 2009, and a net income of P1.9 billion for the 1st quarter of the year 2010. Pilipinas Shell posted a P7.6 billion profit for the first three quarters of 2009.

It is thus apparent that as gas prices go up, the income of these companies also goes up. This just shows that as prices of oil world wide increase, these companies also raise their profit margin. It may be argued therefore that if they fix their profit margin at a certain level, even if the price of oil increase, the prices of gas and diesel in the Philippines will not increase but the income of these companies will decrease.

The way these oil companies peg the price of gas and diesel is very unclear to the public because they do not explain to the public how they arrive at a price per liter. Therefore, in order to ensure that the public is not victimized by these companies anymore, they should be required to disclose to the public step by step how they arrive at the prices of gasoline and diesel per liter. This way, the public is

informed and these oil companies can be held accountable to the public if there are unconscionable profits being earned by these oil companies at the expense of the Filipino people who are made to bear the hardships that high prices bring.

Also, these oil companies must disclose to the public a more detailed report of their operations. At present, oil companies are only required to inform the Department of Energy (DOE) of any impending adjustment in their prices hours before implementation without disclosing their inventory levels. This is very convenient for these oil companies because they could sell oil that they purchased at lower prices at current prices and make a killing at the expense of the consuming public.

DOE secretary Jose Rene Almendras said that, "we cannot just depend on the data of the oil companies. The DOE will have to know the level of their inventory. If we will be able to determine their import declaration, then we will also know their inventory. We will have a better position given that data to determine pricing".

In view of the foregoing, immediate approval of this bill is earnestly requested.



RUFUS B. RODRIGUEZ



MAXIMO B. RODRIGUEZ, JR

FIFTEENTH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
FIRST REGULAR SESSION)

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AN ACT

MANDATING OIL COMPANIES IN THE PHILIPPINES TO DISCLOSE TO THE PUBLIC A DETAILED REPORT OF THEIR OPERATIONS AND A COMPREHENSIVE CALCULATION OF HOW THEY ARRIVE AT THE PRICE OF GAS AND DIESEL PRODUCTS PER LITER

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. It is hereby mandated that oil companies operating in the Philippines should submit to the Department of Energy (DOE) and disclose to the public a very detailed and comprehensive report on their operations on a monthly basis.

This report shall include, but not be limited to, the amount of oil they import per month and at what prices, the amount of oil they sold, their revenue and expenses, their net income, and all other pertinent data as may be required by the DOE.

This report shall be submitted to the DOE on a monthly basis for the DOE to properly monitor the pricing of oil in the country.

SECTION 2. Oil companies are also mandated to submit to the DOE and report to the public how they come up with the price of gas and diesel per liter. They are required to show a detailed calculation, including how much they earn per liter, to the public.

SECTION 3. Implementing Rules and Regulations (IRR). - The DOE shall promulgate the IRR necessary for the implementation of this Act.

SECTION 4. Repealing Clause. - Any law, presidential decree or issuance, executive order, administrative rule or regulation contrary to or inconsistent with the provisions of this Act is hereby repealed, modified or amended accordingly.

SECTION 5. Separability Clause. - If any of the provision of this Act is held unconstitutional or invalid, the remainder of the Act or the provision not otherwise affected shall remain valid and subsisting.

SECTION 6. Effectivity Clause. - This Act shall take effect thirty (30) days after its publication in two (2) newspapers of general circulation.

Approved,