

# Gov't cuts oil import tariff

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President Arroyo ordered yesterday the reduction of the tariff on petroleum imports in an effort to ease the impact of record-high global crude prices on the local economy, particularly on poor Filipinos.

"To address the rising price of oil in the world market, we will implement immediate assistance to the masses," Mrs. Arroyo told a news conference. "We will bring down the tariff on all petroleum products."

The President said the tariff cut will not upset the government's revenue program, unlike the suspension of the 12 percent value-added tax being pushed by some senators.

Finance Secretary Margaritho Teves, at the same briefing, said the three percent duty on oil would be cut to two percent, and that further cuts would be made "if crude oil prices stay at \$92 a barrel." He said every percentage reduction in the oil tariff would translate to a pump price cut of 23 to 25 centavos.

But if applied to diesel only, a one-percent tariff cut would mean a reduction in diesel price of 46 centavos per liter.

Teves said the government would meet with officials of local oil firms to discuss whether to apply the scheme

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on diesel only or on all petroleum products.

Mrs. Arroyo will issue today an executive order authorizing the reduction. She also appealed to oil companies to match the tariff cut with reduction in diesel pump prices. Public utility vehicles generally run on diesel, which sells at around P36 per liter.

As of Jan. 7, the average Dubai crude price stood at \$93.28 per barrel while that of diesel was \$115.65 per barrel. World crude prices reached the dreaded \$100 mark last Friday.

Teves explained that a one percentage point reduction should take effect immediately because crude oil prices have gone up significantly.

"If within the next seven days the rate is maintained, then we can go directly to one percent (tariff)," Teves said.

"As of today, based on the seven days average, there is a big chance that this (tariff) would go down to one percentage point," he added.

Trade Secretary Peter Favila said the tariff cut - and the resulting drop in pump prices - would be felt most by the transport sector.

Public utility vehicles and industries are the biggest con-

sumers of the "socially-sensitive" diesel.

Mrs. Arroyo also said the suspension of the 12 percent VAT on oil products would be "counterproductive."

"It will hit government revenues, the budget deficit will go up, we won't be able to invest in infrastructure, investors won't come in and we won't be able to spend on the programs I mentioned today," the President said.

Energy Secretary Angelo Reyes noted earlier that the suspension of the VAT on oil would cost the government around P52 billion in a year.

An energy summit would be held between Jan. 29 and Feb. 7 to discuss other measures to address the rising cost of oil.

### Tariff cut belittled

The tariff cut ordered by Mrs. Arroyo will not have much effect on pump prices, according to industry officials.

"The estimated P3 to P4 per liter increase in fuel prices will only be mitigated," Seaoil Philippines Inc. president Glenn Yu said.

"After Jan. 15, we have to increase if MOPS (Mean of Platts) averages \$118 per barrel. Right now it's \$116 per bar-

rel, and at the beginning of the year it was \$106 per barrel. That will be equivalent to about P4 per liter," Flying V chairman Ramon Villavicencio said.

Petron, Unioil, and Eastern Petroleum offer P1 and 50-centavo discounts, respectively, on diesel and gasoline until Jan. 15.

Oil companies said even a zero tariff would only result in a 70-centavo price cut if applied only to diesel products and 75 centavos if made to cover other products.

In July 2006, the government brought down the tariff on imported crude oil from three percent to two percent in the wake of a surge in fuel prices.

### Senators firm on EVAT suspension

Senators insist the suspension of the 12 percent EVAT on oil is still the best approach to easing the impact of the rising global crude prices.

"I am absolutely dismayed by the Palace's decision to reject outright my proposal to suspend the 12 percent EVAT on oil as a way to help our people cope with rising oil prices," Sen. Manuel Roxas II, Senate trade and commerce committee chairman, said yesterday.

Sen. Francis Escudero, chairman of the Senate ways and means committee, vowed to push for the suspension.

Sen. Panfilo Lacson, for his part, said legislative measures that don't require sacrificing government's revenue program should be put in place. He said the government should get tougher on oil smuggling.

"We're feeling the crunch now. It's (cost of oil) now \$100 per barrel, we have to cushion the effects of the high cost of fuel," Lacson said.

"I will fully support (proposed) legislation because that is the more practical thing to do," he said, adding that executive officials should have anticipated the problem early on.

"We can make adjustments (on tariff) because the revenues might suffer. We should be able to stop the P3 billion smuggling of oil, of fuel that we know is happening in Subic and Clark," Lacson said.

"That is what we should watch out for because these smugglers do not pay taxes and oil companies are at a disadvantage because they go direct to consumers," he said. "Malacañang knows whoever is involved here. It is allowing smuggling of oil in large quantities," he added.

"We will only let the people's suffering continue if we do not act now to suspend the EVAT on oil. Our consumption-dependent economy will stall as our people's purchasing power

continues to weaken due to high oil prices," Roxas said.

"Ordinary consumers would directly benefit from the temporary scrapping of the EVAT on oil, and government would still be able to collect taxes because the people will use these savings to buy other products and goods that also carry EVAT," he added.

Roxas described as "tokenism" the government's order to reduce the oil tariffs.

"Government must decide between the 'macho goal' of a balanced budget and its solemn duty to provide millions of households facing mounting debts and monthly budget deficits with immediate financial relief," he said. "It must also prove itself as a worthy recipient of our people's hard-earned money by showing real results in running after smugglers, corrupt officials, and big-time tax evaders," he pointed out.

Sen. Loren Legarda, for her part, said Mrs. Arroyo's order was "better than nothing" but not enough to address the problem.

"This is insufficient, ineffective and unsatisfactory," Legarda, chair of the Senate economic affairs committee, said.

Legarda said that the one percent tariff cut would hardly be felt by the consuming public, which has been suffering not only from rising transport

prices, but also from the increasing costs of commodities, including vegetables, rice and other food products.

"Transportation is a basic industry that cuts across all economic activities, such as manufacturing and agricultural production, and the marketing of basic goods like rice, vegetables and meat. If the costs of transportation rise beyond the financial capacity of the great majority of the people, such a factor would cause greater sufferings and more serious destabilization of society than man-made conspiracies," Legarda said.

She said that the government "must tighten its belt and exempt fuel oil, including gasoline and diesel, from the 12 percent value added tax, even if only as an emergency measure."

"What we need now is to survive the energy crisis while preparing for a future of self-sufficiency in energy needs," she added.

"Now is the time for our government to undertake a comprehensive, workable and long-range program to develop a self-sufficient scheme and structure for the generation of an energy supply necessary to support our modernization efforts far into the future," she pointed out. - With Donnalbelle Gatdula, Aurea Calica, AFP and AP