GMA orders audit of oil, power firms

By MARVIN SY

President Arroyo has ordered the Department of Energy (DOE) to conduct an "intensive audit" of the books of the country's oil and power companies, particularly on their cost recovery, in order to ensure that any movement in pump prices is justified.

The order came even as the Department of Finance (DOF) admitted that the government is actually collecting three taxes from the importation and sale of oil products.

Presidential Management Staff director general Cerge Remonde noted that the President issued

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her directive during yesterday's Cabinet meeting in response to the clamor of consumers that the government must be more responsive to the hikes in domestic fuel prices.

"The President has heard the cry of consumers that there should be a close scrutiny of this thing," Remonde said.

While the DOE has already conducted an audit of the book of the oil companies in the past, Remonde said the President wants the department to be more diligent and thorough in its audit.

The DOE hired the services of accounting firm SGV and the University of Asia and the Pacific to audit the books of the oil companies but no irregularities were found.

Remonde said the DOE could tap the services of the Commission on Audit if needed.

"If there is evidence of overpricing then the government has every moral (and even legal) authority to impose them (penalties) under the law," he said.

Secretary to the Cabinet Silvestre Bello III, a former justice secretary, noted that even under the oil deregulation law, the oil companies are subject to administrative and criminal liabilities when it comes to the prices of oil.

However, Press Secretary Jesus Dureza explained that more than the criminal liability of the oil firms, what the President wanted was for these companies to reflect any movement in the prices of oil in the world market on their pump prices.

"The whole point is that the President wants is that if there is going to be a reduction in the price of fuel in the international market, immediately this must be passed on to the consumer," Dureza added.

Remonde said the effort of the President is part of the government's exercise of due diligence on a socially sensitive product such as oil.

Taxed taxes

But congressmen were surprised to learn that aside from the 12-percent value added tax (VAT), an excise tax and three percent import duty are also levied on petroleum products.

DOF Director Teresa Habitan told the House ways and means committee that the excise tax amounts to P4.35 per liter in the case of gasoline, P4.50 per liter for lubricating oils and P3.67 per liter for aviation gas.

Other products such as diesel are not levied an excise tax, she said.

As for the three percent import duty, Habitan said it is now temporarily lifted since crude oil prices in the world market are above $100 per barrel.

Her statements prompted Rep. Teodoro Casiño of the party-list group Bayan Muna to say that the Philippines could be the only country in the world that imposes three taxes on oil products even when crude prices are hitting the roof.

"Other nations are trying to reduce the taxes to make life easier for their people. Here, we don't want to ease the burden on our people," he said.

Responding to Casiño's questions, Habitan said the three percent import duty and the excise tax are included in the products' selling price on which the 12-percent VAT is based.

"This means that the government is imposing VAT even on taxes. It is collecting a tax on tax," Casiño said.

The left-leaning representative also confronted DOF officials with the figures mentioned by President Arroyo in her State of the Nation Address last July 28.

He recalled that Mrs. Arroyo, in insisting that VAT be kept, told the nation that about P90 billion is raised from oil VAT revenues alone, and that it is the rich who would benefit from scrapping the oil VAT since the rich account for 84 percent of oil consumption.

He said he wanted to know what is the basis of the President's assertions.

Habitan said oil VAT revenues do not amount to P90 billion a year.

"In 2007, these revenues reached only P51 billion, while VAT collections from electricity use amounted to P10.7 billion. This year, from January to June, we estimated that P21 billion in oil VAT was collected," she said.

She said that as far as oil consumption is concerned, official family income and expenditure (FIE) estimates show that those with annual family incomes of P80,000 and below were classified as poor and accounted for less than 10 percent of national oil use.

She added that the DOF was not the source of Mrs. Arroyo's figures.

Casiño said based on its FIE estimates, the administration considers families with annual incomes above P80,000, such as those earning P9,000 or P10,000 a month, as rich and lumps them with the truly wealthy in claiming that 84 percent of oil is used by the rich.

"But what is P9,000 or P10,000 a month these days with prices soaring? Even in normal times, that is not much. You can't certainly be called rich with that income," he said.

He added that Mrs. Arroyo was fed the wrong data.

He stressed that families belonging to poor and middle class would benefit most from the scrapping of VAT on oil.

Refund

Meanwhile, National Power Corp. (Napocor) said it will spend about P10 billion for the refund of 71 centavos ordered by the Energy Regulatory Commission (ERC).

Napocor president Cyril del Callar said the company has started the refund last June and has been spending more than P1 billion every month for this.

Del Callar said that so far, the company is able to finance the refund through its internally generated funds.

The Napocor chief is also optimistic that the state-run power generation firm will be able to refund without resorting to new borrowings.

Since the Power Sector Assets and Liabilities Management Corp. (PSALM) has been successful in its privatization efforts, Napocor has not been getting new loans since last year.

"We hope we can comply with the ERC's refund order without securing new loans to finance it," he said.

"Our forecast is, so far, we may not need to borrow to finance the refund," he said.

The Napocor executive, however, said they are still hoping that the ERC would heed their request for clarification of its refund order.

Napocor had asked for a clarification from the ERC on the provisional authority given for its application last June 2008 for the 9th Generation Rate Adjustment Mechanism (GRAM) and 8th Incremental Currency Exchange Rate Adjustment (ICERA) Mechanism.

Del Callar said they have complied with the ERC's order last June but they just need to clarify some matters in the commission's order.

The GRAM and ICERA are ERC-approved adjustment mechanisms to cover actual incurred costs of power generation, contained in Napocor's billings to its customers under the Deferred Accounting Adjustments (DAAs).

Through its applications for the 9th GRAM and 8th ICERA, the ERC provisionally ordered Napocor to reduce rates in Luzon by 71.16 centavos per kilowatt-hour and in Mindanao by 2.46 centavos per kWh.

The 9th GRAM and 8th ICERA applications were for the billing period July to December 2006.

Napocor said that although the ERC approved the actual amounts applied for under the 9th GRAM and 8th ICERA, it reduced the rebate spreads for Luzon and Mindanao, while maintaining its proposed recovery spread in the Visayas.

–Jess Diaz, Donnabelle Gatdula