

Talking Points of
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Good Morning! My presence here in this Energy Summit is important. We are focusing on issues that will have marked impact on the energy industry, most specially the oil industry.

- 1) We leave the long-term concern for the moment and focus on the immediate and short-term because for us in public transport industry there will be no long term if we cannot survive in the short term, more specifically the current burden of high fuel prices.
- 2) In the shipping industry, fuel and related products account for 30 to 50% of our total cost.
- 3) In spite of the advent of discounted airline fare, ships and buses are still the principal carriers of the biggest segment of our society, the poor and the very poor, moving both short and longer distances within the country.
- 4) Unfortunately, this is the segment of population that is by and large not benefiting from the so-called 6 or 7% GNP growth yet, as evidenced by the high incidence of poverty and underemployment. But they need to travel every now and then.
- 5) Public transport business catering to the poor is squeezed between high operating (fuel) cost and the inability to raise fares because of the affordability constraints of its market.
- 6) Raise fares then two immediate reactions will happen:
 - a. Clamor for increase in minimum wages,
 - b. Increase in price of basic commodities.
- 7) If wages cannot be raised, industrial peace becomes unstable. When this situation prevails, it discourages investment. If the seller of basic commodities cannot raise their prices because of affordability constraints of its market. Then they look at the downstream cost or the cost of producing and bringing such basic commodity to the market. If transport cost is high and nothing can be done about it, then the provider of basic raw materials suffers because buying prices will be pressed down. And who are the producers? They are the farmers and fisherfolk.
- 8) The impact of high fuel prices is almost immediately felt by the greatest mass of our population and if government is concerned about the welfare of the biggest part of our society, it should moderate the impact of high fuel prices.
- 9) Which brings us to the matter of taxes.
 - The offered reduction of 1% on import tax is appreciated, thank you. But its effect on fuel prices is marginal.

- Suspension or abolition of VAT on fuel is still debated. Please don't debate too long because people are suffering in the meantime.

10) Our suggestion to this government:

- a. Suspend VAT on public transport fuel. This will stave off increases of prices of basic commodities, transport cost of the poor and moderate demands for usage increases which should be good for the industry in general.
- b. If not possible, roll back and peg the VAT to the amount collected based on prices of oil back to the time EVAT was first imposed. The rationale is simple. The government could not have reasonably factored in the rapid rise of oil in projecting increase of VAT. At best, I believe that any projection for VAT revenues on fuel were principally overlooked in growth of fuel volume consumption. The extra amount brought about by the unexpected rapid fuel price increase is akin to a windfall tax. Windfall tax should not be collected particularly from the poor segment of our society.

11) Don't worry about possible downgrade of our country's credit rating from positive back to stable due to the reduction of VAT collections. That hardly matters when today's T-bill rate is in the same level as the LIBOR rate. And with so much liquidity, government should continue to borrow domestically. Same cost, no foreign exchange risk.

12) Forget about collecting VAT and returning the collections via more public services and the like because government for a long time has proven to be the most inefficient allocator of resources.