

IBON POLICY PAPER

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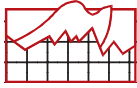
# Price Control Urgently Needed

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**IBON FOUNDATION INC.**

3rd floor SCC Bldg., 4427 Int. Old Sta. Mesa, Manila · P.O. Box SM-447, Manila.  
E-mail address: [editors@ibon.org](mailto:editors@ibon.org) · Tel. Nos. 713 27 37, 713 27 29 and 713 09 12 · Fax 716 01 08



# Price Control Urgently Needed

The Filipino people are being battered by consecutive price increases, especially of petroleum products. Prices of goods, particularly food commodities, continue to soar throughout the past months, while rates for services such as transport, power and water are also hiked.

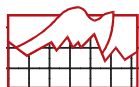
As prices of basic goods and services continue to escalate, the call for the government to regulate prices becomes all the more urgent.

The country has a price legislation called the "Price Act" (Republic Act No. 7581) of 1992. The Price Act purports to provide protection to consumers by stabilizing the prices of basic necessities and prime commodities and by prescribing measures against undue price increases during emergency situations. It deems hoarding, profiteering and cartels as illegal acts of price manipulation.

Basic necessities include rice; corn; bread; fresh dried and canned fish and other marine products; fresh pork, beef, and poultry meat; fresh eggs; fresh and processed milk; fresh vegetables; root crops; coffee; sugar; cooking oil; salt; laundry soap; detergents; firewood; charcoal; candles; and drugs classified as essential by the Department of Health.

Prime commodities include fresh fruits; flour; dried, processed and canned pork, beef and poultry meat; dairy products not falling under basic necessities; noodles; onions; garlic; vinegar; patis; soy sauce; toilet soap; fertilizer; pesticides; herbicides; poultry, swine and cattle feeds; veterinary products for poultry, swine and cattle; paper; school supplies; nipa shingles; sawali; cement clinker; GI sheets; hollow blocks; plywood; plyboard; construction nails; batteries; electrical supplies; light bulbs; steel wire; and all drugs not classified as essential drugs by the Department of Health.

The Price Act gives the President the mandate to impose a price ceiling on any basic necessity or prime commodity. Among the conditions that warrants the imposition of a price ceiling are: widespread price manipulation; impendency, existence or effect of any event that causes artificial and unreasonable price increase; and whenever the prevailing price of any basic or prime commodity has risen to unreasonable levels.



Thus, President Gloria Macapagal Arroyo has in her hands some power to alleviate the burden of the people. The Price Coordinating Council created by the Price Act should have long advised the President on measures to arrest the spiraling price increases.

For one, the imposition of a price ceiling is called for since prices have already risen to unreasonable levels for a long time now. In fact, a price rollback on a number of commodities and services should also be implemented, such as oil, rice, water and power rates.

The never-ending increase in the prices of petroleum products is eroding the people's income and is thus intensifying poverty in the country. Household petroleum products such as liquefied petroleum gas (LPG) and kerosene should be covered by the Price Act as basic necessities and their prices stabilized.

### Pro-people Measures to Tame Soaring Prices

According to the National Statistics Office, the inflation rate is 8.5% as of March 2005, or double the 4.2% inflation recorded last year.

Inflation Rate (in %) <i>Base Year: 2000</i>	March	
	2004	2005
Philippines	4.2	8.5
NCR	3.7	8.7
Areas outside NCR		
Agricultural	4.3	8.3
Non-Agricultural	4.3	8.3

*Source:* National Statistics Office

IBON estimates that the daily cost of living (DCOL) for a family of six in the Philippines has reached P508.00 as of March 2005. In the NCR, the DCOL is much higher at P613.30.

The purchasing power of the peso (PPP) is only a little over half of its value as of December 2004, using 1994 as base year. This means that the nominal wage of non-agriculture workers in the NCR, at P300, is only equivalent to P156.41.

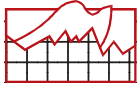
Last year, the National Statistics Office rebased the Consumer Price Index to 2000. With this new base year, the PPP is P0.79 as of March 2005.

The crisis at the household level is intensified by the frequent and unreasonable price increases. Thus, drastic measures are needed to relieve the load of ordinary consumers trying to survive.

- *Price freeze, rollbacks and moratorium*

To provide immediate relief for the poor majority, the government should implement a price freeze for basic necessities and prime commodities. A freeze in the retail prices of goods is urgently needed now since traders and merchants have already raised prices substantially.

Aside from freezing prices at the current level, the government must also rollback the retail prices of food commodities such as rice, chicken and pork. NFA rice price should be rolled back to P12 per kilo, from the current P16. Chicken and pork prices should also be



rolled back considering that farmgate prices are only P40 and P55, respectively, as of October 2004. The difference between the farmgate and retail prices, or the marketing costs, of chicken (58% of P95/kg retail price) and pork (54% of P120/kg) are really outrageous for basic food products.

In addition, the government should implement a moratorium on oil price hikes. Given the P3.97 per liter overpricing of oil products from January to December 2004, a rollback on oil prices must also be considered. Oil price hikes raise the costs of producing and distributing goods, thus triggering further escalation of commodity prices and the erosion of people's income.

Likewise, there should be a moratorium on water and power rates increases and rollbacks immediately studied. These services are vital to the people and the government should not allow the private companies to milk the consumers for superprofits.

- *Scrap privatization and deregulation*

The consecutive oil, power and water rates increases are bitter reminders of how

government policy mistakes are ultimately suffered by the ordinary citizen. Thus, if the government sincerely wants to improve the condition of the poor majority, policy reversals are in order.

Laws that deregulated the oil industry and the power sector must be scrapped and these sectors placed under government regulation again. It follows that the government should not push through with the privatization of Napocor.

Similarly, water privatization must cease. The Maynilad fiasco and the unscrupulous rates increases of both Maynilad and Manila Water show the failure of privatization in providing the promised lower water rates and better service. Water districts in other parts of the country should thus remain in public hands and not follow the path of the MWSS.

The government must have the will to protect its citizens. As long as the government is afraid to interfere with the "market forces" and leaves the consumers to fend for themselves, those who dominate and control the market will continue to prey on the people, who are growing restive with every price increase. ■

