

**[ REPUBLIC ACT NO. 6173, April 30, 1971 ]**

**AN ACT DECLARING A NATIONAL POLICY ON THE PETROLEUM INDUSTRY, REGULATING THE ACTIVITIES AND RELATIONS OF PERSONS AND ENTITIES ENGAGED THEREIN, ESTABLISHING AN OIL INDUSTRY COMMISSION TO EFFECTUATE THE SAME, AND DEFINING ITS FUNCTIONS, POWERS AND OBJECTIVES, AND FOR OTHER PURPOSES.**

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

SECTION 1. *Title.*—This Act shall be known as the Oil Industry Commission Act.

SEC. 2. *Declaration of Policy and Purposes.*— Petroleum and its products being vital to national security, and their continued supply at reasonable prices being essential to the general welfare, it is hereby declared to be the policy of the State that the act and business of importing, exporting, re-exporting, shipping, transporting, processing, refining, storing, distributing, marketing, and selling crude oil, gasoline, kerosene, gas and other refined petroleum products as well as the operations and activities of natural and juridical persons, firms and entities engaged in the petroleum industry shall be carried out in a manner consistent with the public interest, so as to attain the following objectives and purposes:

- a. To assure that the country shall have a proper, adequate and continuous supply of crude oil and refined petroleum products under the most economic and competitive terms possible considering all available sources of supply;
- b. To assure that the petroleum industry, as a business vital to the national interest, operates under conditions of orderly and economic competition;
- c. To assure the public of reasonable prices for petroleum products considering the international price levels of crude oil and petroleum products and after allowing for proper and reasonable cost of importing, shipping, transporting, processing, refining, storing, distributing, marketing and selling crude oil and petroleum products in the Philippines, and for a fair and reasonable return; and to prevent collusive practices in the industry, particularly as to prices;
- d. To protect gasoline dealers and distributors from unfair and onerous trade conditions;
- e. To minimize the cost of, and the outflow of foreign exchange involved in, the operations of the industry;
- f. To induce and effect the increasing participation of Filipino capital, labor and management in the industry and to prevent discrimination against any person by reason of race, color, creed or political belief; and
- g. To regulate investments of oil companies, in order to prevent monopoly, combinations in restraint of trade, unfair competition and economic domination.

However, this Act shall not apply to oil exploration or to industries not connected with petroleum importation, refining or distribution.

SEC. 3. *Oil Industry Commission.*— To implement the national policy and attain the objectives and purposes of this Act, an independent Commission is hereby created, which shall be known as the Oil Industry Commission, and shall be organized within sixty days after the approval of this Act. The Commission shall be composed of a Chairman and four Associate Commissioners. The Chairman and the Associate Commissioners shall be natural-born citizens and residents of the Philippines. In addition, the Chairman shall possess all the qualifications of a Justice of the Supreme Court and the Associate Commissioners shall be at least thirty-five years old, of good moral character and of recognized competence in the field of economics, finance, banking, commerce, industry, agriculture, engineering, management, law or labor. They shall be appointed by the President of the Philippines, with the consent of the Commission on Appointments. No person who has worked within three years immediately prior to his appointment or is working in any firm engaged in the petroleum industry or any other entity whose main business is directly related to any such firm shall be appointed to the Commission.

The term of office of the Chairman and the Associate Commissioners shall be four years, but the first Chairman appointed shall hold office for four years and of the first four Commissioners two shall hold office for a term of two years, and two for a term of three years. No person may be appointed to serve more than two successive terms.

The Chairman and Associate Commissioners shall, upon assumption of office and within the month of January of every other year thereafter, as well as upon the expiration of their respective terms of office, or upon their resignation or separation from office, prepare and file with the offices of the President, the President of the Senate and the Speaker of the House of Representatives a true, accurate, complete, detailed and sworn statement of assets and liabilities, including a statement of amounts and sources of income, amounts of personal and family expenses, and amounts of income taxes paid for the next preceding calendar year: *Provided*, That the first statement may be filed within the month of January next following if the Chairman or Associate Commissioner concerned assumes office less than two months before the end of the calendar year.

Three members of the Commission shall constitute a *quorum* and the vote of three members shall be necessary for the adoption of any rule, ruling, order, resolution decision or other act of the Commission. The Commission shall hold office in the City of Manila, or at such other place as the President of the Philippines may designate.

SEC. 4. *Compensation of Commissioners.*—The Chairman of the Oil Industry Commission shall receive a compensation of Fifty thousand pesos annually and a monthly commutable allowance of one thousand pesos, while the Associate Commissioners shall each receive an annual compensation of Forty thousand pesos and a monthly commutable allowance of six hundred pesos. The Chairman and Associate Commissioners shall devote their full time to the Commission and shall not accept other employment.

SEC. 5. *Staff.*—The Commission shall appoint and maintain an adequate staff, which shall include a Secretary of the Commission. The Secretary shall be a member of the

Philippine Bar with at least five years experience in the active practice of law in the Philippines or in the discharge of an office requiring as an indispensable requisite admission to the practice of law in the Philippines. The members of the technical staff, except for those performing purely clerical functions, shall possess at least a bachelor's degree in the line of specialization required by their respective positions: *Provided*, That except as to positions which are policy-determining, highly technical or primarily confidential, all positions in the Commission are subject to the provisions of the Civil Service Law and Rules, but are exempt from the regulations of the Wage and Position Classification Office.

SEC. 6. *Functions of the Commission.*— The Commission shall have supervision and jurisdiction over all persons, corporations, firms or entities engaged in the business of importing, exporting, re-exporting, shipping, transporting, processing or refining of indigenous and imported crude oil or other petroleum products, storing, marketing, distributing, or selling, both at wholesale and retail, gasoline, gas, oil, kerosene, and other crude or refined petroleum products, and shall regulate and supervise the operations and activities of said persons and entities including the following:

- a. To set conditions which would accomplish the purposes of this Act, under which persons, natural or juridical, can engage or continue engaging in the business of importing, exporting, re-exporting, shipping, transporting, processing, refining, storing, distributing, marketing or selling crude oil, gasoline, kerosene, gas, and other refined petroleum products or by-products;
- b. To study the importation of crude oil into the Philippines and to determine its most economical sources transportation routes, and freight rates;
- c. To look into all available sources of supply of crude oil, draw up plans to cope with such contingencies as may arise should prevailing sources of supply become closed or inaccessible, and enter into such preliminary negotiations or arrangements with possible alternative sources as may be necessary to assure a stable, adequate and continuous supply of crude oil and refined petroleum products under the most economic and competitive terms possible;
- d. To encourage and assist in the organization of associations of Filipino oil and gasoline dealers and distributors throughout the Philippines, public utility operators, gasoline and oil consumers, and other similar groups, through the formation of cooperatives or through other group action;
- e. To recommend to the President that the State, thru such agency or agencies as the President may designate, acquire equity in any refinery now existing or that may be organized hereafter: *Provided, however*, That equity so acquired shall be made available to the public, giving priority to dealers of petroleum products and gasoline station owners or operators; and
- f. To do and perform any and all such acts as may be necessary and proper to carry out the purpose of this Act.

The jurisdiction of, and all functions exercised by, the Bureau of Mines over petroleum refineries are hereby transferred to the Commission.

SEC. 7. *Powers of the Commission Upon Notice and Hearing.*—The Commission shall have power, upon proper notice and hearing, in accordance with the provisions of this Act:

- a. To determine whether current market prices of petroleum products are reasonable and to set the prices of the same, providing for a fair and reasonable return. No changes in prices may thereafter be made by the

Commission without prior public notice and hearing at which any consumer of petroleum products and other parties who may be affected may appear and participate. In setting prices or making changes, thereof, the Commission shall be guided by the following considerations:

1. Whether claimed increases or decreases in costs, sales or profits are real or simulated;
  2. Whether expenses and costs which are claimed to have been incurred, or are being incurred, or are to be incurred are reasonable, and whether any increases therein may be offset by increased efficiency and reduction of excessive or unnecessary expenses;
  3. The impact of the proposed prices or change therein on the economy and on the consuming public, particularly low income groups and industries essential to the national welfare or security: and
  4. The cost profit levels of the industry.
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- b. To regulate the capacities of new refineries or additional capacities of existing refineries so as to accomplish the purposes and objectives of this Act;
  - c. To license refineries that may be organized after the passage of this Act, under such terms and conditions as are consistent with the national interest;
  - d. To regulate the operations and trade practices of the industry in order to encourage orderly competition, prevent monopolies and collusive practices within the industry, giving due regard to the ecological and environmental needs of the country;
  - e. To review the cost at which crude oil had been imported into the Philippines within the preceding year, whether by private entities or by the Government, whenever the Commission has received a formal complaint or has reason to believe that prices or shipping costs at which crude oil has been or is being imported into the Philippines are unreasonable or out of line with trends in the international market, taking into consideration among other factors, the quality and security of supply, availability and location of crude oil, and freight rates prevailing at the time; and, if found to be unreasonable or out of line, to require the importer or importers concerned to reimburse the excess of the foreign exchange involved to the Central Bank and to fix the maximum import cost, requiring that, before future importations be made at a cost in excess thereof, the approval of the Commission be first secured. Any order of the Commission in the exercise of this power shall be binding on the Central Bank, the Bureau of Customs and all other executive agencies of the government;
  - f. To require that preference be given to Philippine vessels and bottoms for the purpose of transporting crude oil to and from the Philippines where said vessels can undertake said function on substantially the same
  - g. To take adequate steps to prevent monopolies and combinations in restraint of trade within the petroleum industry, or involving enterprises engaged in the petroleum industry;
  - h. To recommend to the President that the State, through such agency as the President may designate, take over the operation of any refinery or other firm, corporation or entity engaged in the petroleum industry whenever the public welfare or national interest so requires or (1) such refinery, firm, corporation or entity ceases or threatens to cease or substantially reduces or threatens to reduce substantially its operations; and (2) its cessation or threatened cessation or reduction or threatened reduction of operations threatens the continued supply of petroleum products at reasonable prices to the general