

Comments on **Senate Bill No. 413**: *“AN ACT TO ESTABLISH THE MONITORING AND SUPERVISORY FRAMEWORK FOR THE SAFE OPERATIONS OF THE LIQUEFIED PETROLEUM GAS (LPG) INDUSTRY; RATIONALIZE THE MANUFACTURE, SALE, DISTRIBUTION, EXCHANGE, SWAPPING, REPAIR, REQUALIFICATION AND REHABILITATION OF LPG CYLINDERS; PROVIDE ADDITIONAL POWERS TO THE DEPARTMENT OF TRADE AND INDUSTRY; DEFINE AND PENALIZE VIOLATIONS THEREOF AND FOR OTHER PURPOSES (INTRODUCED BY SENATOR LOREN LEGARDA) AND SENATE BILL NO. 713 AN ACT ESTABLISHING THE REGULATORY FRAMEWORK FOR THE SAFE OPERATIONS OF THE LIQUEFIED PETROLEUM GAS (LPG) INDUSTRY, DELINEATING THE POWERS AND FUNCTIONS OF VARIOUS GOVERNMENT AGENCIES, DEFINING AND PENALIZING CERTAIN ACTS AND FOR OTHER PURPOSES.”* (Introduced by Senator Paolo Benigno “Bam” A. Aquino IV)

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1. Following the economic rationale of (food) safety regulation<sup>2</sup>, it is understood that the nature of businesses involved in LPG industry would be to provide below-optimum level of safety because of issues of information asymmetry. This proposed bill is very much welcome because **it addresses the information asymmetry in the LPG market by providing information on and ensuring quality and safety of LPG products and related services**. The provisions provided by Chapter III in SB No. 413 and Chapter III in SB No. 713 assure the consumers that the products that are in market are safe. The labeling requirements in Chapter IX of SB No. 413 also address information asymmetry.
2. Recognizing the importance of LPG as a source of fuel for a large number of households in the Philippines, these two Senate Bills aims to ensure the safety of consumers through a number of measures. First, the two Bills aim to establish standards for every activity involving LPG which includes, but is not limited to, refining, importation, refilling, transportation, distribution, marketing and sale. The two Bills also identified prohibited

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<sup>2</sup> “This lack of information on the part of consumers about food safety, and the lack of incentives for firms to provide such information, leads to a case of market failure. The workings of a non-regulated market may yield a suboptimal level of pathogens in the food supply, excessive levels of human health risk, and higher levels of illness and mortality related to foodborne pathogens and pesticide residues. In such a case, the public welfare may be enhanced if society chooses to regulate the food processing industry to reduce the level of foodborne pathogens and increase the knowledge of consumers, so they may take personal action to reduce their risk of exposure to foodborne illness.” (Crutchfield, undated)

acts and the corresponding fines and penalties (Chapter XIII in SB No. 413; Chapter X in SB No. 713).

The Bills, however, do seem to have a very broad coverage, possibly having an impact on not just key LPG players but also end-users and consumers. Particularly, small-scale restaurants, eateries, small-scale bakeshops and *carinderias* would be affected. Section 12 of both SB No. 413 and SB No. 713 requires “any activity or business involving LPG” to obtain a License to Operate. This may be prohibitive for around 8,690 self-employed restaurants and food service activities<sup>3</sup> and may be detrimental to their operations.

3. Related to comment number 2, Because of the number of procedures and documents that the Senate Bills would require of businesses engaged or involved in LPG, it might be possible that the businesses would pass on to the consumers some of these costs. It is therefore important that while consumer safety is ensured, the cost of compliance to safety regulations do not result in large increase in prices.
4. Related to the third point would be the additional cost to doing business that the Senate Bills would result to. The provision on the transporting of LPG through the use of delivery vehicles (Chapter X in SB No. 413; Chapter VIII in SB No. 713), while very much welcome and is indeed necessary, may adversely affect the business operations of small-scale LPG retail outlets. For a number of these LPG retail outlets, delivery services would only rely on makeshift motorcycles or tricycles. A possible unintended consequence of such a regulation would be the complete removal of such delivery services which, would certainly affect a number of businesses (particularly SMEs) and household consumers.
5. The two Senate Bills differ on the lead agency tasked to implement the provisions of the bills. According to SB No. 413 (Section 6), the lead agency is DTI while SB No. 713 (Section 5) identified the DOE as the lead agency. Understandably, the two agencies are important as DTI is mandated to “ensure consumer access to safe and quality goods and services”<sup>4</sup> while the DOE is mandated to “prepare, integrate, coordinate, supervise and control all plans, programs, projects and activities of the Government relative to energy exploration, development, utilization, distribution and conservation”<sup>5</sup>. To inform the discussion on which agency should take the lead, we propose some characteristics that may be considered in identifying the lead agency [adapted from Bliss and Breene (2009)]:
  - a. The lead agency should be responsible within government for the development of the national LPG safety strategy and its results focus. Related to this, the lead agency should also be capable of conducting high-level promotion of the LPG safety strategy across government and society.

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<sup>3</sup> Figure as of 2014 covering only PSIC code 561 and 562

<sup>4</sup> <https://www.dti.gov.ph/about>

<sup>5</sup> <https://www.doe.gov.ph/transparency/mandate-mission-and-vision>

- b. The lead agency should have direct contact with key stakeholder representatives (consumers, industry players, academe and government). Familiarity with key stakeholders is important as this would allow the lead agency to have access to the views and opinions of all, providing various perspectives on important issues related to the industry.
  - c. The lead agency should have expertise and knowledgeable human resources capable of undertaking periodic monitoring and evaluation of LPG safety performance.  
To support monitoring and evaluation, the lead agency ensures that the appropriate data systems, linkages and management capacity are established to set and monitor targets and strategies. Through the conduct of transparent reviews, the lead agency is able to make necessary adjustments to strategies and policies to ensure that key outcomes on LPG safety are achieved.
  - d. The lead agency should have international linkages which would enable it to obtain information on technological advancements related to the LPG industry. The lead agency should also be able to provide direction of research and development and knowledge transfer.
  - e. The lead agency should be able to provide sustainable sources of annual funding and create a rational framework for resource allocation.
6. We welcome the provision on education and research (Chapter 14 in SB No. 413; Chapter 11 in SB No. 713). However, it should be noted that the capacity of DOE and DTI to conduct inspection should be strengthened by increasing the number of technical staff knowledgeable on the technical details of LPG industry. This could involve participation in seminars, workshops and even masters and doctorate studies. Incidentally, there is no provision supporting LPG servicing training programs related to LPG servicing at home or in industries for TESDA.
7. It is difficult to ascertain the key contribution of the Philippine LPG Cylinder Improvement Program (Sec. 26 of SB No. 713) as the bill only provides for its objective, to wit, “safeguarding and ensuring the safety of consumers.” The value of the LPG Cylinder Improvement Program for which PhP 2 Billion will be allocated would be more appreciated if the specific outcomes of such a program are already mentioned in the bill.

The LPG Cylinder Exchange, Swapping and rehabilitation program (Chapter XI of SB No. 413) provides a more detailed explanation on the objectives and the implementation of the program. However, there seems to be provision for funding of this program mentioned in the bill.

8. Finally, Because of the large reliance of a number of consumers and businesses on LPG for their source of heat, these Senate Bills are very much welcome. The prevention of tragedies brought about by mishandling of LPG benefits the society as a whole. The author

is grateful for the opportunity to comment on these bills and looks forward to seeing a version of these bills pass into law.

**References:**

Bliss, T., & Breen, J. (2009). Country guidelines for the conduct of road safety management capacity reviews and the specification of lead agency reforms, investment strategies and safe system projects.