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Honduras Authorizes Direct Fuel Imports, Breaks Multinational Monopoly

by Mike Leffert

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Honduras' President Manuel Zelaya has authorized two Honduran fuel companies to proceed with direct fuel imports, circumventing the multinationals that have had a death grip on every step of the country's fossil-fuel supply chain. The presidential decision came in response to gas-station owners' allegations that the foreign companies were rationing supplies to them while keeping their own stations fully supplied. The companies include Esso, Texaco, Shell, and DIPPSA, a domestic company. "Transnational oil companies are only rationing fuel to independently owned gas stations. The flow of fuel to their own gas stations has not stopped," said Sarahi Silva, head of the Asociacion Hondurena de Productos del Petroleo (AHDIPPE). According to reports, Zelaya needed a little prodding to authorize the imports. The independent owners provided a push by threatening to shut down altogether. They drew support from bus drivers who threatened to bring national transport to a standstill with strikes and roadblocks. The multinationals started withholding supply in reprisal for the government's cutting fuel prices by US\$.52 a gallon. The government absorbed 60% of the reduction in fuel taxes, but forced the companies to eat the remainder. The government had sought to wrest control of price and supply from the multinationals through a process whereby companies would bid for the right to become the single provider for all Honduras. That scheme fell flat when a bidder was chosen but was unable to deliver as promised because it lacked storage capacity within the country (see NotiCen, 2007-03-08). The government announced in August it would build its own storage facilities and start the bidding process again. Danger of US reprisals The administration has approached direct import cautiously since July. Presidential advisor Enrique Flores Lanza told members of the Coalicion Patriotica de Solidaridad (CPS) that there was a danger that the US would be provoked by a challenge to the multinationals and would marginalize Honduras' standing in the Millennium Challenge Account (MCA) [see NotiCen, 2205-02-10]. The CPS was advocating strong measures to deal with the multinationals' withholding supplies. The CPS was also incensed that Texaco had refused to renew a distribution contract with the Asociacion de Transportistas del Petroleo del Norte (ATRAPENO). The independent station owners, meanwhile, were in a bind, explained Flores Lanza. "The problem is that the independent gas stations cannot import by ship, because they need to bring in a high volume and there is nowhere to store it. On the other hand, they do not have the capacity to pay the taxes in advance to import by land, so the solution is that we are going to send the Congress a legal reform so that the tax can be paid one month after the arrival [of the fuel]." According to law, fuel imported by land was taxed on arrival, whereas fuel arriving by tanker was taxed one month after delivery. Lanza said the government could solve the contract problem between ATRAPENO and Texaco by denying transport permits to anyone else. Also, the government would join the transporters in a suit against Texaco for illegal distribution costs. The company had been retaining a distribution rebate even though consumers were paying a fixed distribution premium. Legally, any rebate should have been returned to the final consumer. The CPS initially rejected the government plan, but was eventually convinced that the MCA argument held water. In addition, Flores warned them, "They can impose sanctions contemplated in the Central America Free Trade Agreement (CAFTA)." The government also sustained criticism

from the Asociacion Nacional de Industriales (ANDI). ANDI president Adolfo Facusse said the government ought not intervene in order to create a culture of saving in case there is another world refining crisis. He said other unspecified countries are undertaking conservation policies and Honduras should, too. He said that artificially lowered prices only help the rich. "I have a deluxe car, a Jaguar, and gasoline only costs me 70 pesos, and that is not the real price, it is subsidized."

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