

LCQ8: Promoting competition in fuel market

Following is a question by the Hon Chan Hoi-yan and a written reply by the Secretary for the Environment, Mr Wong Kam-sing, in the Legislative Council today (May 20):

Question:

The Chairperson of the Competition Commission (The Commission) attended on the 27th of last month, before her departure from office at the end of last month, a meeting of the Panel on Economic Development of this Council. At that meeting, she used the term "market failure" to describe Hong Kong's fuel market, and suggested that the Government should formulate policies to make the fuel market operate in a fairer manner, and confer on the Commission greater powers to gather evidence to facilitate its investigation into whether oil companies had engaged in collusive price-fixing. On promoting competition in the fuel market, will the Government inform this Council:

(1) whether the Government requested, in the past two years, all domestic piped liquefied petroleum gas (LPG) suppliers to publish price information; if so, whether the various suppliers published such information; if so, of the means through which such information was published and the details of such information;

(2) given that in the light of the Commission's recommendations, the authorities revised in August 2017 the arrangements for renewing contracts for the supply of centralised LPG to public housing estates, by dropping the past practice that contracts with existing LPG suppliers would be renewed if their performance was satisfactory and adopting a new practice that new contracts must be awarded through tendering, of the details of the tendering exercises which were/will be conducted in the past two years and within this year, including the names of the public housing estates involved, the numbers of suppliers submitting bids, whether the successful bidders were existing suppliers, and the validity periods of such contracts; and

(3) given that the Commission has no power to demand oil companies to provide information and documents during the stage of conducting market studies, whether the Government will consider amending the Competition Ordinance (Cap. 619) to confer such powers on the Commission; if so, of the details; if not, the reasons for that?

Reply:

President,

The consolidated reply of the Environment Bureau, the Transport and Housing Bureau and the Commerce and Economic Development Bureau to the

question raised by the Hon Chan Hoi-yan is as follows:

(1) At present, two out of the three domestic piped liquefied petroleum gas (LPG) suppliers (i.e. DSG Energy Limited and Sinopec (Hong Kong) Gas Company Limited) have already published the updated domestic piped LPG prices on their websites. The website addresses are as follows:

DSG: www.dsg-energy.com/latest-offers-and-news

Sinopec: www.sinopechongkong.com/XGGSCSMS/home.html

As for the other supplier (i.e. ExxonMobil Hong Kong Limited), it explained that it supplies domestic piped LPG and cylinder LPG through operators and distributors, instead of supplying to domestic users directly. As a wholesaler, based on company policy, it is unable to publish price information about its domestic piped LPG products.

The retail prices of domestic piped LPG in the past two years are set out in the table below:

	DSG	Sinopec
Effective date	(HK\$/cubic metre)	(HK\$/cubic metre)
End of Apr 2018	34.80	34.80
End of Jul 2018	37.68	37.68
End of Oct 2018	39.61	39.61
End of Jan 2019	33.35	33.35
End of Apr 2019	37.86	37.86
End of Jul 2019	34.38	34.38
End of Oct 2019	36.77	36.77
End of Jan 2020	38.94	38.94
End of Apr 2020	34.02	34.02

(2) At present, there are 15 public rental housing (PRH) estates (Note 1) under the Hong Kong Housing Authority (HA) that are installed with centralised LPG supply. With reference to the experience in private housing developments as well as the information gathered from LPG suppliers and the Electrical and Mechanical Services Department, and taking into account public views and the Competition Commission's recommendations, the Commercial Properties Committee (CPC) of the HA decided in August 2017 that tenders should be invited for awarding new contracts for the supply of centralised LPG to PRH estates upon expiry of the existing contracts. The CPC also decided to bundle, on a trial basis, the contracts for the supply of LPG to Wah Fu (II) Estate and Nga Ning Court for tendering. The concerned tender was issued in February 2018 and awarded in August of the same year. The details are as follows:

Name of PRH Estate	No. of Tenderers	Whether the successful tenderer is the incumbent supplier	Term of LPG Supply Contract
Wah Fu (II) Estate	2	No	10 years commencing from April 2019
Nga Ning Court	2	Yes	10 years commencing from April 2019

Note 1: Butterfly Estate, Choi Yuen Estate, Kam Peng Estate, Kwong Fuk Estate, Lung Tin Estate, Ngan Wan Estate, Oi Man Estate, On Ting Estate, Sam Shing Estate, Shui Pin Wai Estate, Tai Yuen Estate, Wah Fu (II) Estate, Wu King Estate, Yau Oi Estate and Nga Ning Court.

According to the opinion survey conducted by the HA subsequently, residents were generally well satisfied with the handover process between the then incumbent supplier and the new supplier, the stability of LPG supply during the handover period, as well as the services and various benefits (including the provision of free annual inspection of gas appliances and the waiving of minimum charge) provided by the new supplier. Taking into account the experience gained from Wah Fu (II) Estate and Nga Ning Court and the views from various parties, the CPC decided in November 2019 that tenders should continue to be invited for the award of new contracts for the supply of centralised LPG to other PRH estates upon expiry of the existing ones. The CPC also decided that the tenders should continue to mandate suppliers to carry out Quantitative Risk Assessments and necessary improvement works and/or mitigation measures, and provide benefits to domestic users such as free inspection of gas appliances and waiving of monthly fee for the maintenance service plan, etc. In order to enhance the safety and energy saving performance of the LPG system, the CPC also approved refinements to tender assessment criteria by adding new criteria for the relevant aspects.

The HA will take into consideration the expiry dates of centralised LPG supply contracts and the geographical location of individual PRH estates, as well as economies of scale, etc. and, where appropriate, continue to invite tenders with bundling arrangements for the LPG supply contracts for other PRH estates.

(3) There had been extensive public consultation and thorough discussions at the Legislative Council (LegCo) prior to the enactment of the Competition Ordinance (Cap. 619) (the Ordinance). The provisions of the Ordinance were drawn up by the Government having balanced different considerations and were passed by LegCo.

According to the Ordinance, although the Competition Commission (the Commission) has no power to obtain specified information or documents for conducting market studies, it may conduct an investigation if it has reasonable cause to suspect that a contravention of a competition rule has

taken place, and require any person to produce specified information or documents, or to attend before the Commission, etc., in accordance with the Ordinance. The Commerce and Economic Development Bureau will continue its close liaison with the Commission on the implementation of the Ordinance.