

LCQ7: Competition situation in auto-fuel market

Following is a question by the Hon Ronny Tong and a written reply by the Secretary for Economic Development and Labour, Mr Stephen Ip, in the Legislative Council today (February 2):

Question:

The Secretary for Economic Development and Labour advised in last December that the Competition Policy Advisory Group would commission an independent consultant to investigate the competition aspects in the local retail fuel market, with a view to identifying whether there was market monopoly by oil companies and determining whether it was necessary to promote competition in the fuel market through legislation or other means. In this connection, will the Government inform this Council of:

- (a) the respective commencement and expected completion dates of the above-mentioned investigation, and whether the Administration will publish the entire investigation report;
- (b) the criteria adopted for selecting the consultant, and whether a consultant has been commissioned; if so, of the name of the consultant and its relevant experience;
- (c) the directions the consultant will follow when conducting the investigation, and whether it will assess the competition in the fuel market from the perspective of fair competition; and
- (d) of the scope of the investigation, and whether it will cover the overall operation of the market or be confined to issues relating to the pricing of oil products only?

Reply:

Madam President,

(a) We have started work on recruiting a consultant to study the competition situation of auto-fuel market in Hong Kong. We have invited expression of interest (EOI) from about 100 local and overseas consultancy firms in January this year and will proceed with the selection process. The study is expected to start in the first half of 2005 and be completed in the latter half of the year. The Administration will report the study findings to this Council and the public.

(b) The selection criteria include, inter alia, the consultant's experience and expertise in competition law and competition-related economic analysis, their knowledge of the auto-fuel market, and their proposed approach and methodology in conducting the study.

(c) Consultancy firms are required to provide details of their approach and methodology in their proposals.

(d) The consultancy study will assess the competition situation in the auto-fuel market in Hong Kong, and examine whether the oil companies involved might have engaged in any anti-competitive practices. The study will look into the market structure, operating costs and retail pricing, etc of the local auto-fuel market and make reference to the competition laws in other economies such as the United States, European Union and Australia, and the experience and measures adopted by these economies in tackling anti-competitive behaviour of oil companies. The consultant will also make recommendations on whether legislation is required to ensure fair competition in the auto-fuel market in Hong Kong.

Ends/Wednesday, February 2, 2005