

LCQ16: Competition situation of auto-fuel market

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Following is the 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 (October 26):

Question :

Last December, the authorities decided to appoint a consultancy firm to study the competition situation of the auto-fuel market in Hong Kong, with a view to finding out whether the local oil companies had engaged in any anti-competitive practices. In February this year, the Administration advised that it had started work on recruiting the consultancy firm, and would report the findings of the study to this Council and the public. In this connection, will the Government inform this Council of:

- (a) the name of the appointed consultancy firm, reasons for selecting it, and its relevant experience;
- (b) the total consultancy fee, responsibility of the consultancy firm and the methodology adopted for the study; and
- (c) the progress of the study and the anticipated timing for releasing the findings?

Reply:

Madam President,

(a) The Government commissioned Arculli and Associates (A&A) in July 2005 to conduct a study on the competition situation of the auto-fuel retail market in Hong Kong. The Consulting Team, comprising legal experts and economists from A&A, Gilbert + Tobin, and NERA Economic Consulting, has extensive experience in competition law and enforcement; economic analysis of competition and regulatory matters; and analysis and assessment of the competition situation in various markets and industries (in particular the auto-fuel retail markets in various major economies). The Team has also provided expert advice to governments as well as competition regulatory agencies in other economies.

(b) The Consultancy fee is on a time-charge basis, subject to a cap of HK\$7.5 million, inclusive of all expenses and disbursements.

The Consultant is required to assess the competition situation in the auto-fuel retail market in Hong Kong; examine whether local oil companies might have engaged in any anti-competitive practices; and make recommendations on whether measures, including legislation, might be required to ensure fair competition in the Hong Kong auto-fuel market. In this connection, the Consultant is required to examine and analyse the structure, including operating costs and retail pricing, of the local auto-fuel market; conduct interviews; make in-depth research including making reference to competition laws, policies and situations in the auto-fuel market in other economies such as the United States, European Union and Australia.

(c) The Consultant has completed preliminary studies on the size and structure of the auto-fuel retail market in Hong Kong. The Consultant is looking into the competition situation in the market and will draw comparisons between the local market and those in other major cities, such as Singapore, Tokyo, Sydney, London and New York.

The study is expected to be completed by the end of 2005. The Government will report the findings to the Legislative Council and the public.

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