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10 August 2021

By E-mail

Ms Shirley CHAN
Clerk to Panel on Economic Development
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Ms Chan,

**Panel on Economic Development
Follow-up to meeting on 9 July 2021**

Agenda item IV on “Auto-fuel prices in Hong Kong”

Thank you for your letter of 12 July 2021, setting out the follow-up action item arising from the discussion at the above meeting –

At the Panel meeting on 9 July 2021, the Administration was requested to conduct a detailed analysis on the various costs of auto-fuels of oil companies including the operating expenditure, and discounts offered by oil companies to customers, so as to assess the reasonableness of the local retail prices of auto-fuels determined by oil companies.

Please refer to the Annex for our reply.

Yours sincerely,



(Ms Esther WANG)
for Secretary for the Environment

Encl.

Panel on Economic Development

Reply to the follow-up action item to meeting on 9 July 2021

The supply of auto-fuels in Hong Kong has all along been operated according to the principles of a free market economy, and their retail prices have also been determined by individual oil companies having regard to commercial principles. The main role of the Government is to ensure that the quality of fuels meet standards and that their supply is reliable and safe. We understand the public's concern about auto-fuel prices, therefore we also endeavour to enhance the transparency of the prices of auto-fuel products, and strive to remove barriers for fuel suppliers to enter the local market, thereby promoting competition and enabling auto-fuel prices to maintain at a reasonable market level.

In response to the frequent criticisms that there is sign of “rockets and feathers” pricing or “more going up, less coming down” in auto-fuel prices, we can compare the changes in local auto-fuel prices with the trend movements of import prices and international oil prices – with majority of the local auto-fuels coming from Singapore, it is more appropriate to use the Singapore free-on-board prices (i.e. Means of Platts Singapore (MOPS)) for unleaded petrol and motor vehicle diesel as the indicator. According to our observations in the past, the trend movements of local retail prices of auto-fuels and those of import prices and MOPS are generally in line, and there is no prominent sign of “rockets and feathers” pricing. This is consistent with the conclusion made by the Competition Commission in its study report on Hong Kong's auto-fuel market in 2017.

The analysis of specific changes in auto-fuel prices is more complicated. We observe that local oil companies offer various kinds of concessions and discounts are their usual sales practice, hence the official retail prices of auto-fuels are not the same as the actual prices paid by consumers. In the past six months (i.e. from January to June 2021), while the retail price increased by \$1.85 per litre, the import price for unleaded petrol increased by \$1.47 per litre based on the average price of various oil companies, which was similar to the increase in MOPS over the same period. On the face of it, there is a difference of \$0.38 between the increase in import price and retail price during this period. However, the average maximum walk-in discount and membership card discount offered by oil companies for unleaded petrol also increased by about \$0.36 per litre during the said period. For another example, during the period of significant fluctuations in international oil prices in the first six months of last year, both the import price and the international oil price for unleaded petrol decreased by \$1.63 per litre. If we take into account the average maximum walk-in discount and membership

card discount offered by oil companies, the retail price for unleaded petrol has also been reduced by \$1.6 per litre. Therefore, the actual prices paid by customers are generally moving in line with the changes in international oil prices and import prices.

In response to the sales practices of the local auto-fuel market, enhancing transparency of prices of auto-fuel products is very important to consumers, which can also strengthen market competition. In this regard, the Environment Bureau publishes the trend movements of local auto-fuels retail prices, import prices and MOPS on its website on a weekly basis, and provides linkage to the statistical information of the import and retail prices for major oil products. We have also commissioned the Consumer Council to launch the new "Oil Price Watch" website and mobile application, so that consumers can obtain more comprehensive discount information more easily and compare the net retail prices (i.e. retail prices net of walk-in discounts) among different retailers to make informed choices that suit their needs. Regarding the various operating costs of oil companies, since the relevant information (e.g. staff costs, transportation, operation of oil terminal, land costs, promotion, etc.) are commercially sensitive information, the oil companies express that it is inappropriate to disclose to the public.

Environment Bureau
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