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For Immediate Release

**Competition Commission advises on
liquefied petroleum gas supply arrangement for 15 public rental housing estates**

The Competition Commission (Commission) today (8 September) provided competition-related advice to the Hong Kong Housing Authority (HKHA) on the supply of Piped Liquefied Petroleum Gas (Piped LPG) to a number of public rental housing estates under its management.

The supply of Piped LPG affects the daily lives of around 156,000 residents in 15 public rental housing estates under the HKHA's management. The perceived lack of competition in respect of the current Piped LPG supply arrangement has been a subject of concern which has been brought to the attention of the Commission. In light of this, the Commission has approached the HKHA and reviewed the relevant information provided, as well as other information in the public domain.

In summary, the Commission's views are as follows:

- i. The way in which the continuous supply of Piped LPG to 15 public rental housing estates is being secured may be improved from a competition perspective;
- ii. The current practice of renewing incumbent suppliers' contracts instead of conducting a competitive process favours such incumbents and reduces the possibility of obtaining better terms and services for the residents concerned;
- iii. The practice of treating premium payable to the HKHA as the key criterion for awarding subsequent contracts (but the benefits of which cannot be shared with the residents) is not desirable from a competition standpoint.

In respect of the above views, the Commission recommends the following:

- i. The HKHA should consider introducing a competitive process to determine the award of subsequent contracts;
- ii. The HKHA should consider forgoing the practice of treating "premium" as the key criterion for awarding subsequent contracts and in its place use LPG prices to be charged to residents as the basis, awarding the contract to the supplier who proposes the lowest initial LPG price;
- iii. The HKHA should consider "bundling" estates for tender or negotiation with suppliers to provide more incentives for both incumbent and non-incumbent suppliers to bid for "packages" of estates; and

- iv. The residents of the estates concerned should be involved in deciding whether subsequent contracts should be awarded to incumbent suppliers or whether a competitive process should be followed.

The Commission has published an advisory bulletin on its website to further elaborate on its views and recommendations on the subject.

Mr. Rasul Butt, Senior Executive Director of the Commission said, “The Commission would like to thank the HKHA for its timely assistance in providing relevant information for the Commission’s review and in responding to our queries. We strongly urge the HKHA to consider introducing competition to the process of securing the continuous supply of Piped LPG to the housing estates concerned and hope that our recommendations will assist them to that end.

One of the Commission’s functions under the Competition Ordinance is to advise the Government on competition matters. The Commission will continue to proactively consider issues of public concern and make recommendations to the Government and public bodies on how to advance competition in different markets for the longer term benefit of the community.”

NOTES FOR THE EDITOR

The Commission is an independent statutory body established under the Competition Ordinance (Cap. 619). The objective of the Ordinance is to prohibit conduct that prevents, restricts or distorts competition and mergers that substantially lessen competition in Hong Kong. At the present time, the Merger Rule applies only to a merger involving an undertaking that directly or indirectly holds a carrier licence issued under the Telecommunications Ordinance (Cap. 106).

The Ordinance was fully implemented on 14 December 2015.