



CONSUMER COUNCIL OF FIJI

A Submission on Gas Prices



July 2010

1.0 Purpose of this Paper

1.1 The purpose of this submission is to highlight persistent consumer concerns over the negative effects of an unregulated bottled LPG (liquid petroleum gas) retail market in Fiji.

2.0 Introduction

2.1 The Consumer Council of Fiji (CCOF) has been over the last few years receiving inundated phone-calls and valid arguments from consumers that this industry needs some form of regulation placed on the sale of LPG given the restricted competition in the marketplace created by only two players. In turn, the Council has been relentlessly urging regulatory authorities, in particular, the Prices and Incomes Board (PIB) to reconsider regulating cooking gas prices instead of restricting to “monitoring” functions. Suffice to say, the Council made its first attempt to convey consumer concerns through its submission to Commerce Commission on April 2008 after undertaking a preliminary research on the state of play of the gas company, their price structure, quality and to determine whether to place gas under price control as it affects the life of all consumers in Fiji.

2.2 Apart from probing the full competitiveness of the gas market, foremost, the Council through this submission is calling for price regulation stemming from the fact that compared to other fuel commodities like petroleum products, LPG prices are high and do not drop to reflect the downward movement in the international benchmark price. The absence of price control for gas has left the only two suppliers – Fiji Gas and Blue Gas – to dictate price increases at their will without meeting the necessary conditions of open and free competition as one would expect. Furthermore, the existence of this duopoly in the retail domestic gas market is contrary to the government's goals of fostering competition where consumers pay unjustified and arbitrary prices. The Council is aware of the government's policy goals of competitive markets generated by the removal of price controls and broader deregulation. However, with the absence of price control, competition in the gas sector has not spurred.

3.0 JUSTIFICATION

3.1 Consumers for far too long has been questioning the Council whether Fiji has a fully competitive gas market considering there are only two players. As a watchdog, the Council is duty-bound to continuously flag to the regulatory bodies such as the Commerce Commission the obvious – that the gas industry in Fiji is not providing effective and true competition with only two players in the market. Also, there is no legislation or standards introduced by the government to ensure consumers are receiving quality gas. The only intervention is made by the Department of Weights and Measures to ensure the weight of the cylinder containing gas is correct. Gas industry in other countries (India, Australia, Europe) operates on the policies set by the national government.

3.2 This submission will initially provide a cursory overview of the following:-

- Limited competition
- Increase in gas consumption
- Consumer Concerns Over Limited Competition and Prices

For the purpose of this submission, the terms “LPG” and “gas” shall denote domestic cooking LPG unless otherwise stated.

3.3 Limited Competition

An uncompetitive market exists and has over the years become the norm to an unsuspecting consumer population. However, many consumers are becoming aware of their rights and many are able to determine in essence what constitutes true competition – certainly not two players dominating the market share. Two gas companies are currently supplying the domestic market – *Fiji Gas and Blue Gas*. Price comparison since 2007 shows that the two companies have sold the same product with almost the same price as indicated in **Table 1** below.

Table 1 – Comparison of gas price from November 2007 – March 2010

#	Date	Product	Qty	Previous Price	New Price	Increase	Decrease	Notes
1	05/11/07	Fiji Gas	13kg	37.00	41.00	\$4.00		
		Blue Gas	13kg	37.00	41.00	\$4.00		
3	21/02/09	Fiji Gas	13kg	41.00	39.50		\$1.50	
		Blue Gas	13kg	41.00	39.50		\$1.50	
4	11/05/09	Fiji Gas	12kg	39.50	41.50	by \$2.00		Qty decreased by 1kg but selling at the same price as Blue Gas at 13kg
		Blue Gas	13kg	39.50	41.50	by \$2.00		
5	15/03/10	Fiji Gas	12kg	41.50	44.50	by \$3.00		Qty decreased by 1kg but selling just \$0.50 less than Blue gas at 13kg
		Blue Gas	13kg	41.50	45.00	by \$3.50		

Source: Prices of bottled cooking LPG as announced by the two gas companies on the dates listed.

Fiji Gas is a subsidiary of Australian energy company, Origin.¹ Fiji Gas was founded in Fiji in 1956 and also sells domestic cookers, commercial catering equipment, refrigerants, industrial banners, and provides installation and maintenance of hot water systems for domestic and commercial customers.

Blue Gas is a wholly-owned subsidiary of local manufacturer and importer, Hari Punja & Sons Limited.² The company entered the bottled LPG market relatively late in 1989, but any hopes of providing a competitive alternative to Fiji Gas has not eventuated.

While there appears to be competition through the duopoly arrangement in the market, the table above shows no real price difference between the two gas suppliers. Cartel type of operation seems to prevail that only price control can re-define the way true competition will come about to benefit the consumers. Or introducing more players into the market will help which is dependent on how the Government sets down its policy regarding this industry to incentivise more investment to cut down the restricted competition and indeed, the anti-competitive behaviour.

¹ See: <http://www.originenergy.com.au/226/Energy-Pacific>

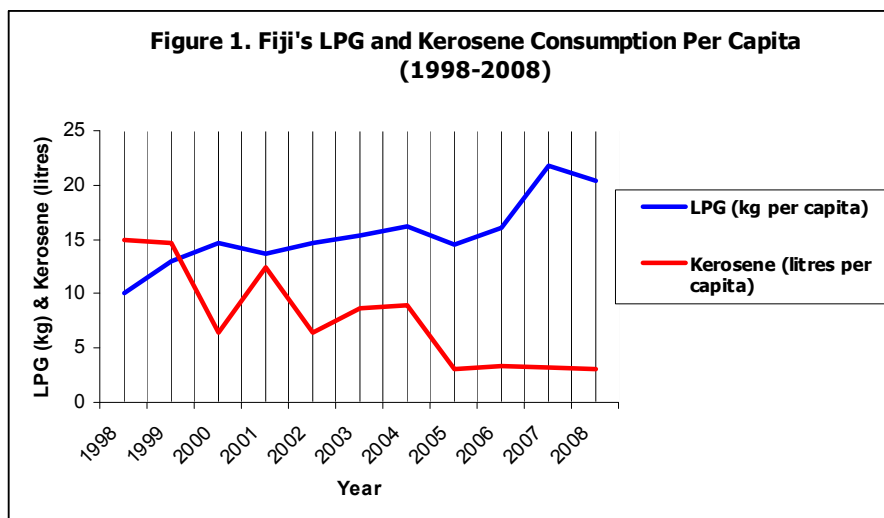
² www.fmf.com.fj/about/about01.asp

3.4 Increase in Gas Consumption

Gas consumption in Fiji has increased drastically in the last decade or so. LPG is a competitive alternative to electricity for domestic and commercial use. Market for gas is increasing in Fiji also due to the introduction of the LPG driven cars and in future with the introduction of fuel converter for cars to switch from petroleum to LPG and vice versa. LPG is also used by the hotel/hospitality industry for cooking and hot showers because LPG is cheaper than the electricity. According to Fiji Sun (6 Sept 2007) the consumption rate of LPG at the time was increasing by 3-5% each year for the last 20 years.

In fact, statistics collated in the last 12 years on LPG shows an estimated increase of consumption (kg) per capita by 50% between 1998 and 2008 (See Appendix 1: Table: LPG and Kerosene: National Usage and Consumption per Head of Population).

The increase in LPG consumption for this period is also marked by a decrease in *household kerosene* consumption – by about 80%. Kerosene consumption in 2008 was estimated at 3.03 litres per capita, while gas consumption was at 20.39kg per capita. Figure 1 below provides an illustration of the increase in LPG consumption vis-à-vis the decline in the use kerosene. We can infer that most consumers in Fiji are moving towards gas and away from electricity or indeed use of kerosene as the principal cooking fuel source. *Figure 1* below shows the trend in per capita consumption of gas and kerosene over a ten-year period (2008-10).



Kerosene is mostly used by the low-income and rural consumers. With the on-going economic crisis coupled with devaluation of Fiji dollar by 20% (or more in reality) and the rising cost of living, consumers are forced to adapt and switch to cheaper options to reduce their shopping bills. Kerosene provides that edge to gas consumption, however, increased availability of gas stoves or cheap burners³ and of course, affordability by certain class of consumers who have static income combined with the safety risks associated with the use of kerosene stoves, means that gas usage will continue to increase even amongst the lower end of the consumer market. And whilst consumers may have a choice between gas or kerosene, in reality gas usage will be stay in demand where the two players, Fiji Gas and Blue Gas, will continue to cash in through their dominant position by setting prices at their whim. This is where the consumers will never have a choice, i.e., the price.

³ Single and double copper/iron burners retail from as low as \$40. Two-burner auto ignition stainless steel stoves can cost as low as \$130, and many brands are available on hire purchase.

3.2 Consumer Concerns Over Limited Competition and Prices

Consumers continue to raise their concerns over the limited competition in the supply of domestic cooking gas. Many have sought to express their frustration through the open columns of the daily newspapers. Here is a sample of such comments and the newspaper clippings are included in *Appendix 2*.

- **Gas Price** ... “Unfortunately, there are two gas companies who are supplying gas in Fiji. ... From the past several years there was hardly any competition in gas price and appeared comfortable with their share of customers...” (Shivlal Nagindas, Labasa, Fiji Times, 21/08/09).
- **LPG prices** ... “May it is also timely for the Prices and Incomes Board to regulate overall the prices for LPG gas in the country, long overdue.” (Mubarak Mohammed, Lautoka, FT, 24/02/09).
- **LPG price** ... “For the consumers of Fiji the worst thing is that it is not under price control and the minister responsible for the price control is on another planet. The gas companies know very well that they can exploit the situation as long as they like.” (Nardeo Mishra, Suva, Fiji Sun, 10/02/09).

The Council has noted numerous consumer concerns over a period of time that demands clarification. Such issues at least require pondering to ensure the market practices create a level playing field for all stakeholders, including the consumers. The following issues then become important for consideration:

- ***Why the price of bottled LPG in the cylinder is higher in comparison to the automotive gas.***

A standard 13 kg gas cylinder converted into litres is 22.61L. So there is 22.61L of gas in 13kg cylinder. If we fill 13kg cylinder using auto gas price (\$1.65 per litre) it will come to (22.61L x \$1.65) **\$37.29**. However, a 13 kg cylinder of gas is sold for **\$45.00**. The price of one litre of gas in our 13 kg cylinder is **\$1.99 per litre** as compared to **\$1.65 per litre** for auto gas. A difference of **34 cents per litre** or **\$7.71** for total 13kg cylinder. Consumers fail to understand this and it is not being explained by the gas companies/traders other than using travelling cost as a justification.

Calculation:-		
Automotive Gas - \$1.65/litre	Cooking Gas = \$45/13kg	13kg = 22.61L
Price of cooking in terms of automotive gas price/litre = \$37.29		Difference of \$7.71

- ***Why pricing of bottled gas is in terms of the weight of the cylinders rather than the quantity of LPG in the cylinder?***

Since 2009 Fiji Gas has reduced the size of the cylinder and yet selling at almost the same price (difference of only 50cents) in comparison to its supposed (and the only) competitor Fiji Gas who maintains through marketing and advertising strategy that their cylinder and price remains unchanged.

But consumers are not satisfied with such cheap tricks of the trade trying to show that there is competition in pricing when the system itself should be based on standards set down by the Government where consumers can equate quantity of product with the actual pricing. This is currently missing. For example, *Table 2* below shows that there never has been true price war between Blue Gas and Fiji Gas, as the Fiji Gas advertisement on Fiji TV tries to justify. The war is only between the size of the cylinder.

Table 2: Pricing with Size of Cylinder

	Pre- 2009 Price (April 2008)	Size of Cylinder Before 2009	Size of Cylinder After 2009 to date	Current Price (2010)
Blue Gas	\$36.95	13kg	13kg	\$45.00
Fiji Gas	\$37.95	13kg	12kg	\$44.50
	15 c difference			50c difference for extra 1kg sold by Blue Gas

- *Why the disparities in retail prices of gas?*

Choice maybe available to consumers in one respect if retail price appears to be competitive or less than what the supplier sells for. But consumers are still not convinced that these disparities in prices and changing the cylinder size are the true test for competition, particularly when there is no real price war providing consumers a significant saving when buying cooking gas from different agents/supermarkets.

Table 3: Retail Gas Prices in Central Suva

No	Names of the Agents	Price of Fiji Gas	Price of Blue Gas
1	Foods for Less, Suva	44.00	44.00
2	RB Patel, Suva	43.99	43.50
3	Rajendras Supermarket, Suva	43.99	44.99
4	New World Supermarket, Suva	44.50	45.00
5	Nath Enterprises	DNS	45.00
7	New World Nabua	44.50	44.00
8	Kundan Singh	DNS	41.95
9	MH Nabua Supermarket	44.35	44.85
10	Supreme Fuel	44.50	DNS
11	Mobil Service Station	44.50	DNS
12	Raiwaqa Service Station	47.00	47.00
13	Hansons Supermarket	41.50	DNS
14	Countdown Supermarket	44.50	DNS

DNS – Do not sell

Source: CCOF Market survey as at 13 July 2010

- *Why the quality of the gas sold in Fiji not controlled by the State?*

Consumers are rightly arguing that the quality of gas is solely controlled by the individual companies. There is no mandatory standard introduced by the State. Although there is Trade Standards and Quality Control Office, the quality check is carried out by the companies. Blue Gas advocates it is ISO 9001 certified. Despite ISO 9001 standard clearly stated on the Blue Gas cylinders it was found by the Council that some cylinders were last tested in 1986. Cylinders should be tested every 10 years. Fiji Gas is following Australian and New Zealand Standard.

Unless there is a contrary evidence to support that the gas sold in Fiji is of the best quality comparable to the world standards, consumers will continue to short-change as quality of gas is very important to protect the appliances and to determine the costs. Fiji Gas uses 98% butane and that is why the flame is blue whereas Blue Gas is using 90% butane that gives yellow flame. Moisture in the gas must be controlled.

Consumers are questioning as to who is checking the moisture content of the already filled cylinders? For instance, in India there are cases of filling the cylinder with 1-2 kg of water to displace LPG gas. The water remains in the cylinder continuously making short filling when sent for refilling. There are hefty penalties for gas traders caught doing this. Fiji should introduce and monitor standards for gas⁴.(<http://www.advantageconsumer.com/LPG-CR.html>)

⁴ <http://www.advantageconsumer.com/LPG-CR.html>

4.0 PRICE MOVEMENTS

The price of gas has been on an upward trend despite the increase in consumption (and markets for the two suppliers). The Council has been observing the gas price movement for the 2007-2010 periods.

4.1 Domestic Price Movement 2007-2010

There have been five price movements during 2007-2010, with only one price decrease in February 2009. Fiji Gas in March this year decreased its weight configuration from 13kg to 12kg, while Blue gas retained the standard 13kg cylinder. As the market is not price regulated, price changes are announced by the two gas companies via notices in the daily newspapers. An example of such a notice appeared in the *Fiji Times* on March 15th 2010 (p.6) where Fiji Gas noted “*Due to increasing world gas prices over the past three months, we regret to advise that the price of gas will increase from Monday 15th March.*”

Also in a surprising move Fiji Gas decreased the 75-year-old standard 13kg cylinder configuration to 12kg. Blue Gas was \$0.50 dearer, but it kept to the standard 13kg cylinder. The 50 cent and 1kg price difference appeared to be an attempt to appease consumer agitation over the price increases. Fiji Gas changing of the cylinder weight looked like an attempt to confuse or mystify consumers into believing that the \$3 increase from 2009 was not such a big deal. The highest percentage price increase was on November 5, 2007 at 10.8 percent, while the lowest upward percentage price change was on May 11, 2009 at 5.1 percent. There was a mere 3.7 percent decrease prices on February 21, 2009.

While the prices charged by both gas companies have remained absolutely the same, this year both imposed price increases, while Fiji Gas decreased its cylinder quantity from 13kg to 12kg. Fiji Gas price went up by 7.2 percent compared to the previous 2009 price of \$41.50/13kg, while Blue Gas kept its 13kg cylinder but had a higher price change of 8.4%.

Table 4: Price Percentage Movement, 2007-2010

DATE	Percentage Price Change	
	INCREASE	DECREASE
05/11/07	10.80%	
21/02/09		3.70%
11/05/09	5.10%	
15/03/10	7.20% (Fiji Gas)	
15/03/10	8.40% (Blue Gas)	

4.2 Comparison with International Price Movement

The two local gas companies import bulk LPG from Australian sources. It is thus crucial to understand the price movements of LPG in Australia as the Fiji price fluctuation should reflect these. The two gas companies have always pointed to the international price movement as the basis for which they imposed increases on retail gas cylinders. International market prices for the Asia-Pacific are based on the monthly Saudi Aramco Contract Price (Saudi CP). The contract prices are post for both propane and butane. According to Australia’s Department of Resource, Energy and Tourism, the country’s LPG producers and importers set LPG prices based on the Saudi CP plus an allowance to cover the costs of importing, insurance and loss,

storage and handling.⁵ The freight, terminating and other costs, which vary depending on location, can total more than US\$45 per tonne - (See Appendix 3, Table 5 for the historical Saudi CP for Australia, 2007-2009). Table 6 on below is a straight forward comparison of the price movements between the Australia Saudi CP and Fiji retail prices (13kg cylinder) for the period of January 2007 to October 2009. While the Saudi CP price has been fluctuating between US\$380 and US\$927, the retail price of domestic gas cylinders has remained comparatively stable. It appears the two gas suppliers are less inclined to respond to the Saudi CP price fluctuations as is generally expected of other fuels like petrol.

Table 6: Fiji retail gas prices & Australia Saudi CP price movement

Month	Australia/Saudi CP US\$/metric tonne		Fiji Retail 13kg Cylinder F\$	
2007				
January	547.50	-	37	-
February	526.00	↓	37	-
March	506.00	↓	37	-
April	537.50	↑	37	-
May	567.50	↓	37	-
June	602.00	↑	37	-
July	580.00	↓	37	-
August	592.50	↑	37	-
September	570.00	↓	37	-
October	652.50	↑	37	-
November	742.50	↑	41	↑
December	872.50	↑	41	-
2008				
January	872.50	-	41	-
February	802.50	↓	39.50	↓
March	822.50	↑	39.50	-
April	810.00	↓	39.50	-
May	852.50	↑	39.50	-
June	907.50	↑	39.50	-
July	927.50	↑	39.50	-
August	875.00	↓	39.50	-
September	820.00	↓	39.50	-
October	800.00	↓	39.50	-
November	490.00	↓	39.50	-
December	337.50	↓	39.50	-
2009				
January	380.00	↑	39.50	-
February	505.00	↑	39.50	-
March	460.00	↑	39.50	-
April	400.00	↓	39.50	-
May	390.00	↓	41.50	↑
June	425.00	↑	41.50	-
July	520.00	↑	41.50	-
August	505.00	↑	41.50	-
September	580.00	↑	41.50	-
October	585.00	↑	41.50	-

⁵ Department of Resources, Energy and Tourism, Australia, 'Liquefied Petroleum Gas (LPG) – FAQs
<http://www.vitalgas.com.au/documents/200709LPGFAQ20071102154823.pdf> (Accessed 20 June 2010)

4.3 Price Movement Comparison

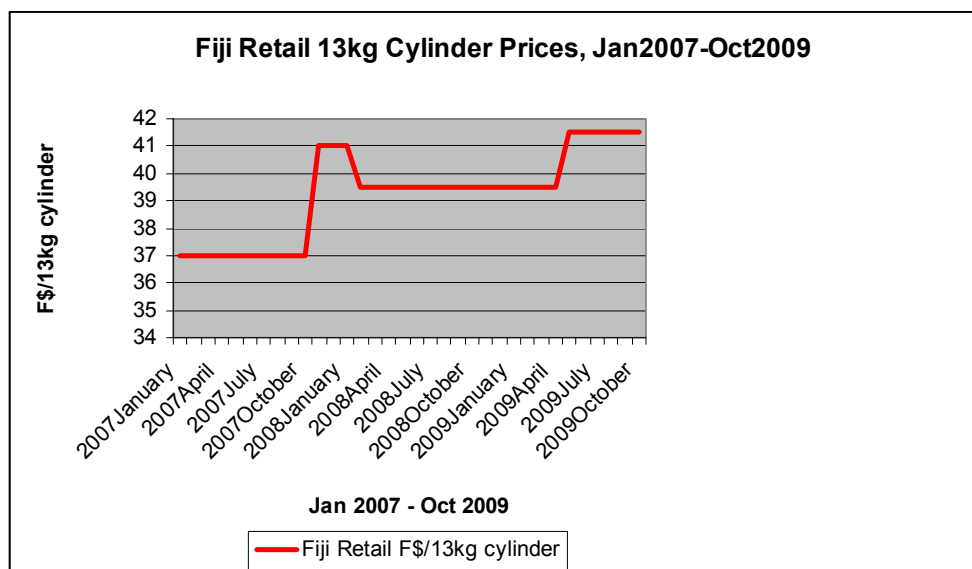
There have been 14 price decreases in the Saudi CP for the period in question, while the Fiji retail price has only recorded one downward price movement, which was in February 2008. This shows that the Fiji gas suppliers are less inclined to drop their price in response to the fall in the international prices.

2007 - Despite the international price drop for the months of February, March, May, July and September of 2007, the Fiji retail price remained at F\$37/13kg cylinder. There was a 13.8% increase in the Saudi CP in November 2007, and the local retail price responded with a 10.8% hike – from F\$37 to F\$41 per 13kg cylinder.

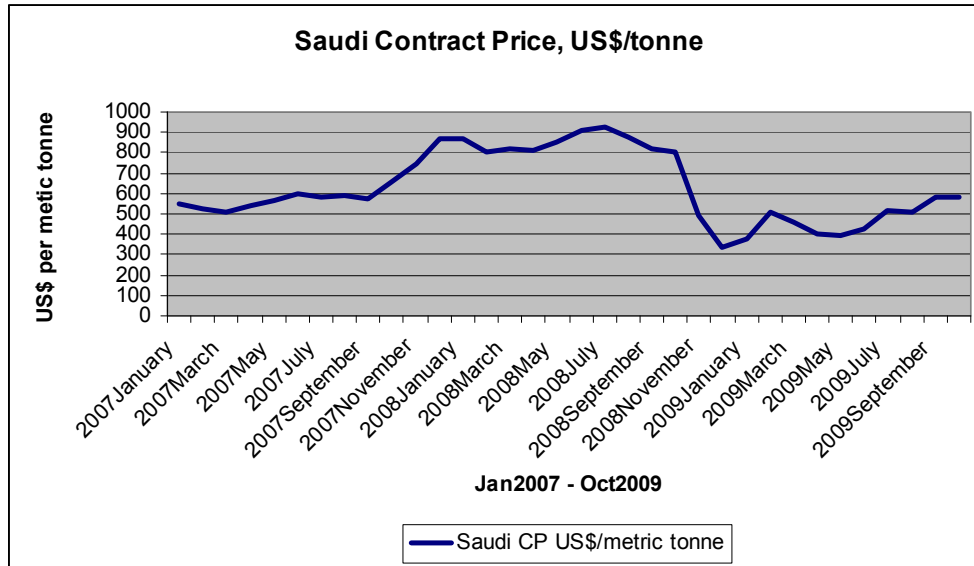
2008 – The Saudi CP dropped by 8.02% in February 2008, and the Fiji retail price dropped by 3.7% from \$41 to \$39.50, the only price drop for the period in question. Between August and December 2009, the Saudi CP dropped by 61.4%, with the prices dropping for each month to the lowest of US\$337.50/metric tonne. However, the Fiji retail price remained unmoved at F\$39.50/13kg cylinder.

2009 – For the months of April and May 2009, the Saudi CP dropped by 13% and 2.5% respectively, but the Fiji retail price recorded the opposite for May i.e. increasing by 5.06%. The May Saudi CP was at US\$390/tonne, while the Fiji retail price went up from by F\$2 from F\$39.50 to F\$41.50. Fiji Gas attributed to the increase to “*the devaluation of the Fiji Dollar on Wednesday 15th April*”.⁶ (See Annex 4 for adverts)

The line graphs below provide an illustration of the movement of retail gas prices in Fiji and that of the international benchmark price. The retail gas price on average remained the same for the period of Januar 2007 to October 2009, while the international price has fluctuated a lot and has more downward movement.



⁶ Fiji Gas advertisement, *Fiji Times* 13/05/09, p.12



4.4 Fiji price non-reaction to international price

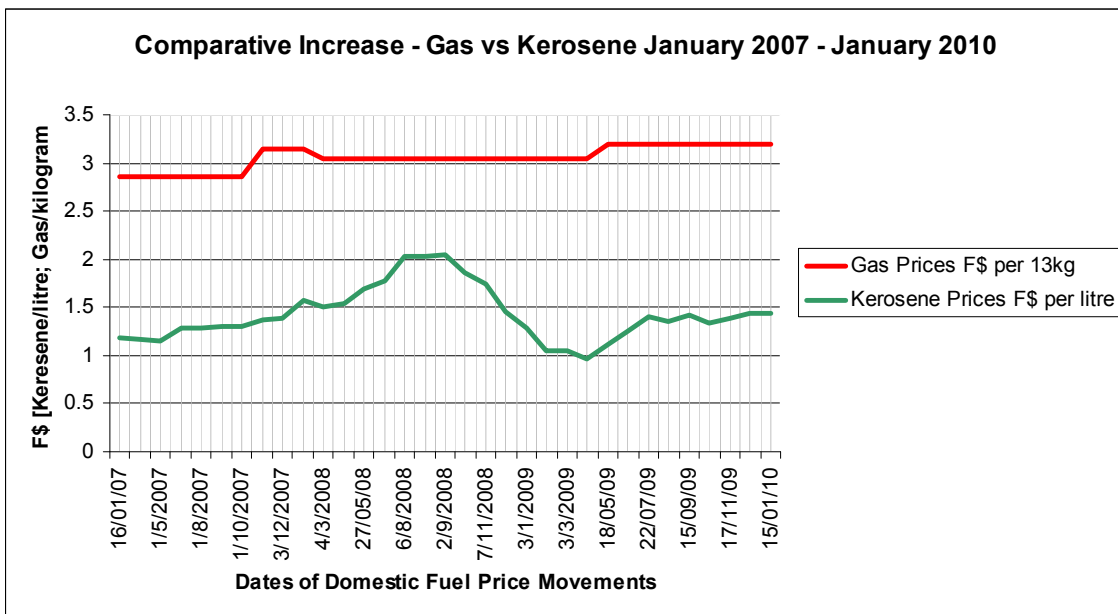
A total of 18 price increases occurred for the Australia/Saudi CP, while the Fiji retail price moved up only twice during January 2007 – October 2009. Outside this period, the Fiji retail price had another increase which was on March 15, 2010. (Note that as of July 2010, the Council has been unable to acquire the 2010 Saudi Aramco CP as these are available for subscribed members of the LPG Australia). The historical price data on the movement of the international pricing for LPG shows that Fiji retail prices do not react quickly to the Saudi CP movement despite Fiji Gas and Blue Gas price advertisements making reference to the international price whenever they imposed an increase.

It is interesting to note that in a news article on November 9, 2006, Fiji Gas chief executive Harvey Probert reported to have stated that *“the gas price was reviewed periodically and not every month.”*⁷ The Saudi CP is done on a monthly basis. The monthly contract prices are posted and often reflect prevailing spot market sales concluded for the previous month. For the period under analysis, there have been a total of 14 drops in the CP of gas, compared to only one price drop for the Fiji domestic retail price. This shows that either the gas companies intentionally do not want to decrease their pricing or that the CP has no significant effect on the local price.

4.4 Domestic Gas Price Movement vs. Kerosene

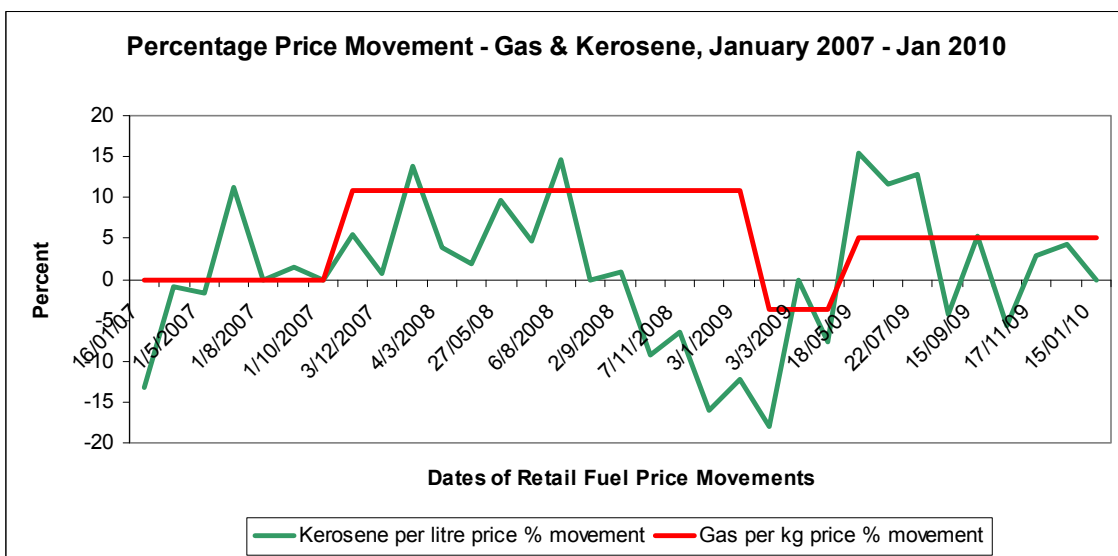
Kerosene is the main alternative fuel source for Fiji households. As noted in Part 3.4 (*Increase in Gas Consumption*), the consumption per capita for kerosene has decreased compared to a rise in gas usage. Thus, gas should be made an affordable commodity in the country because of the increased dependence on this source of fuel. The Council has persistently argued that the retail gas price is higher than other fuels and the increases do not correspond to the fall in these alternatives. In terms of dollars per unit of gas and kerosene, the latter remains a cheaper or affordable fuel. The graph in the next page illustrates the comparative price increases between gas and kerosene on per unit weight/volume basis. The price movement are based on

⁷ *Fiji Times* (Online), ‘Cut gas price: Council’ <http://www.fijitimes.com.fj/story.aspx?ref=archive&id=51363> (Accessed 25/06/10)



the dates of the kerosene price movements. It shows that while kerosene consumers have generally benefited from price drops, gas customers continued to pay high, stagnant and uncompetitive prices.

The graph below shows the percentage price movement for gas (red) and kerosene (green) in terms of price per unit (kg/litres). The percentage movement in price per kg of gas has hardly gone below the 0 mark (i.e. decreased), while kerosene has recorded drops during January 2007- January 2010.



5.0 NON-PRICE ISSUES

There are other issues besides pricing that the Consumer Council is concerned about. These are outlined here.

5.1 Fiji Gas Changes Cylinder

For decades Fiji consumers have used 13kg cooking gas cylinder. In what appeared to be attempt to appease consumers over the price hike of May 11, 2009 Fiji Gas broke the tradition and introduced a “12kg” cylinder. In its public advertisements announcing the change, Fiji Gas noted: *“To lessen the impact on our domestic customers and to address the issue of affordability, we will be reducing the nett weight of gas in the cylinder from 13kg to 12kg for all cylinders delivered from Monday 11th May.”*⁸

The Council believes that this change in specification was a tactic to divert customer attention from the 5.1% price hike. This reduction in the gas weight had meant that consumers purchasing gas have incurred more increase in terms of value for their money. The \$41.50 per 13kg cylinder meant that consumers were to pay \$3.19 per kg, while the reduced 12kg cylinder meant consumers were to pay more - \$3.46/kg (i.e. 27 cents more). The cylinder change by Fiji Gas resulted in customers experiencing a 13.8% price increase in terms of per kg of gas. This is more than twice the overall percentage price increase (5.10%) imposed on 11 May 2009. The price difference (per kg) between the 13kg and 12kg cylinders is 8.46%.

Also the reasoning that consumers will be able to afford 12kg made no sense when the price was traditionally set down on the weight of the cylinder and not the quantity of gas in the cylinder. Decreasing the weight had no benefit to consumers if the price only went up.

Price	Per unit (kg)	Details
\$39.50/13kg	\$3.04	Previous
\$41.50/13kg	\$3.19	May 11, 2009 Increase
\$41.50/12	\$3.46	Fiji Gas, 12kg cylinder

5.2 Misleading Weight Information

Since the change in weight configuration by Fiji Gas, there is some consumer concerns regarding the weight information inscribed on the gas cylinder especially for refills. One of the gas companies has complained that its competitor is not providing the accurate weight information for refills. The claim is that the *tare weight*⁹ (TW) is printed prominently on the cylinder's visible top end, while the *nett weight* is either not show or obscured. However, these issues raises the question of misleading product information, and needs attention from the Council in terms of consumer education/awareness and close scrutiny by the regulatory agencies such as the Department of Fair Trading & Consumer Affairs, and the Prices & Incomes Board (PIB)

⁸ Fiji Gas advertisement, *Fiji Times* 13/05/09, p.12

⁹ The *tare weight* is the weight of the empty gas cylinder, while the *nett weight* is the actual weight of gas in the cylinder.

6.0 REGULATORY PRICE CONTROL & PRICE MONITORING

6.1 PIB Limited to 'Monitoring'

As noted earlier, local cooking gas prices are not regulated and the Fiji Gas/Blue Gas duopoly has a free reign on pricing. The Council notes that the country's price regulator, the PIB, has limited itself to "monitoring" since December 2008. Since then, the PIB has not made any effort to address consumer concerns over the unchecked price increases and neither has it produced a monitoring report to accordingly inform consumers, the government and other stakeholders. Prior to the price increase in February 2009, the PIB's secretary is reported in the media saying that they were assessing explanations provided by the gas suppliers together with the latest audited financials. She then said that "price monitoring allows the industry to self-regulate" without providing concrete details of how exactly this monitoring results in self-regulation. In essence, the PIB had missed the point which is the need for *competition* in the retail gas sector and not *self-regulation*. Prices can be determined by price control and, or competition, and not by self-regulation. In fact, self-regulation is aimed at non-price issues like standards, and safety.

6.1 Price Monitoring, Regulation: Australian Case

It is appropriate to examine the Australian gas market primarily because it is the source market for Fiji, and Fiji Gas, the oldest and larger gas supplier is a subsidiary of Australian-based Origin Energy. Australian LPG prices are not longer regulated in Australia. However, the Australian Competition & Consumer Commission (ACCC) monitors fuel prices in Australia's capital cities and over 150 country towns. Bottled LPG (cooking gas) comes under the broader heading of 'petroleum'.

The ACCC has the power under the Australian *Trade Practices Act 1974* to "investigate allegations of price fixing, predatory pricing and other anti-competitive activities in the petroleum industry."¹⁰ The ACCC regularly monitors LPG prices and is obliged to provide a formal report if requested. Under section 95ZE of the Trade Practices Act 1974 the Minister may direct the ACCC to monitor prices, costs and profits relating to the supply of goods or services in a specified industry and give the Minister a report on its monitoring activities.¹¹

The ACCC can also conduct random monitoring and investigate complaints about price changes. It may "name and shame" any retailers who fail to bring their price in line with movements in the international benchmark price (in this case the Saudi Aramco CP). Australia also has the Office of the Petrol Commission who has powers to monitor and investigate prices, and responsible for the informal monitoring of diesel and LPG prices.

7.0 CONCLUSION

The Council firmly believes that the Commerce Commission should intervene and investigate the gas market and ascertain why there is virtually no competition under the current duopoly. Consumers want the gas prices to be regulated because of the high and uncompetitive prices. The retail price of gas has not reacted to price drops in the international benchmark price or Saudi CP, however the price trend continues in an upward direction. The Council has raised the issue on the non-reaction of the gas companies to falling gas prices and questioned the suppliers' silence and no action to decrease gas prices while global gas prices have fallen.

¹⁰ <http://www.vitalgas.com.au/documents/200709LPGFAQ20071102154823.pdf> (Accessed 20 June 2010)

¹¹ <http://www.accc.gov.au/content/index.phtml/itemId/884012>

8.0 RECOMMENDATIONS

- 8.1 The Commerce Commission should intervene under the Commerce (Amendment) Promulgation 2008, Section 36(E) and control the substantial market power (SMP) held by Fiji Gas and Blue Gas over the LPG market. CC must review the whole supply chain to determine the company's cost and profit margin to ensure that current prices are cost-reflective and fair.
- 8.2 The Commerce Commission should conduct a thorough review of the current gas market and establish a price mechanism that would require gas suppliers to move prices in accordance with fluctuations in the international benchmark price (Saudi CP).
- 8.3 State should then consider regulating the gas market or introduce the tariff setting principles. In addition State should consider introducing reform in the gas market to allow further competition in the gas industry.
- 8.4 State should also introduce national standards and better monitoring of standards to prevent consumers being cheated by the traders.
- 8.5 The Commission to impose a mandatory requirement for the two gas companies to provide LPG landed cost disclosure on a regular basis and in the event of any impending increase.
- 8.6 The Commerce Commission and other regulatory agencies, including the Ministry of Industry and Trade should establish the proper parameters on the concept and practice of "price monitoring". Price monitoring should include a formal reporting protocol whereby the responsible regulatory agency should make public its findings and recommendations on price movements especially in market where there is no price-control. The current scenario where the PIB is simply "monitoring" gas prices does not protect consumers nor foster a competitive market.

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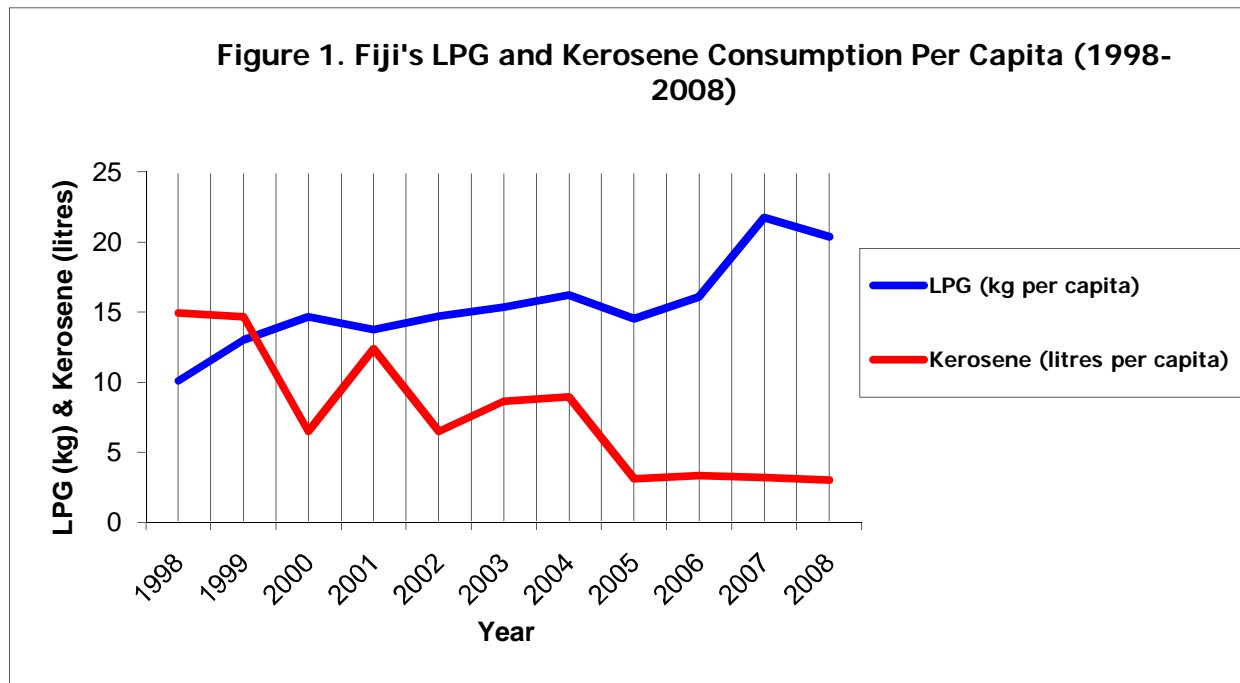
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Appendix 1

Table 1: Fiji's LPG and Kerosene Per Capita Consumption (per unit), 1998-2008

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
LPG (kg) per capita	10.12	13	14.68	13.75	14.73	15.36	16.23	14.52	16.1	21.74	20.39
Kerosene (litre) per capita	14.96	14.66	6.49	12.37	6.48	8.62	8.95	3.12	3.33	3.19	3.03

Source: Fiji Islands Bureau of Statistics, Key Statistics; March 2010 MISCELLANEOUS, Extracted from Table 15.3 Estimated Annual Consumption of Selected



Consumer Comments/Complaints on Gas Price in Daily Newspapers

Gas price

Shivlal Nagindas
Labasa



Unfortunately, there are two gas companies who are supplying gas in Fiji. They are Fiji Gas and Blue Gas.

From the past several years there was hardly any competition in gas price as both maintained the same price and appeared comfortable with their share of customers.

Hence there was no price fight with the fear of cutting each other in price resulting in the reduction of profit margin.

Due to apparent increase in world fuel price and the devaluation of the Fiji

dollar, the gas companies gradually increased the price the price of gas from \$37 for 13kg gas to \$42. Fiji Gas opted to Penalized Labasa customers by reducing the weight of the gas to 12kg cylinder in Vanua Levu.

Since Fiji Gas is the only supplier of cooking gas in Labasa in the absence of Blue Gas, the consumers have no choice but to purchase 12kg cylinder gas paying exorbitant prices.

Under the circumstances can the Blue Gas Company explain why they are reluctant to supply gas in Labasa? Had there been competition between both these companies Fiji Gas would not have reduced the weight of gas from 13kg to 12kg.

Perhaps these two companies may have made a deal whereby Fiji Gas is left to enjoy hefty profits in Labasa.

The PIB should regulate the price of gas to benefit the vast numbers of gas users.

Fiji Sun, 21/08/09, p.6

LPG prices

NOW we understand that there has already been a reduction in world LP gas prices (Fiji Gas advertisement FT 21/02) and cooking gas prices have been reduced accordingly.

Perhaps it's also timely to reduce the gas price for LPG cars as well to be fair.

Maybe it is also timely for the Prices and Incomes Board to regulate overall the prices for LPG gas in the country, long overdue.

MUBARAK MOHAMMED,
Lautoka

Fiji Times, 24/02/09 p.8

Price of gas

E Nand
Suva



The price of cooking gas may go up again. Can this price be regulated by some authority or are we being left at the mercy of the two companies who supply this commodity?

Fiji Sun, 10/09/08

LETTERS

LPG price

Nardeo Mishra
Suva

We import our LPG from Australia and the present retail pump price there is 40 cents per litre (F50cpl).

Even if we add the freight, insurance, storage, losses and overhead costs, our LPG at the pumps should not cost more than \$1 per litre.

Also if we convert litres to kilogramme, the maximum is two litres for every kilogram thus a 13kg cylinder should cost \$26.

For the consumers of Fiji the worst thing is that it is not under price control and the minister responsible for the price control is on another planet.

The gas companies know very well that they can exploit the situation as long as they like.

It is quite surprising that the political parties are not saying anything whereas on other topics they are the first ones to jump. Maybe they don't get that much mileage

It is high time the consumers of this country wake up and do something for themselves.

Fiji Sun, 10/02/09

Consumer Comments/Complaints on Gas Price in Daily Newspapers

Reduce our gas prices

ONE wonders what is happening to the price of cooking gas in this nation.

The price of diesel and other fuels have decreased but the price of cooking gas remains ridiculously high.

So much for landing cost.

If test have proven to be true that a consumer would pay about \$20 to fill a cylinder of cooking gas at a service station why are we paying \$49 for the same cylinder at the various retail outlets?

Why can't the poor of our nation be permitted to take their cylinders to the various gas outlets and be allowed to fill as little as \$5 as this could be all that they can afford, no they would have to pay above \$40 for a cylinder whether they like it or not.

To Mrs Premila Singh, so far you have not opened your mouth as to why they haven't been any reduction in the price of gas.

Can't we accomadate the poor to purchase gas at their discretion when it comes to quantity.

Where is fair trading here? Where is transparancy and justice?

Paul Peters
Valelevu

Fiji Times, 14/01/09

LPG price

Sanjeet Prasad
Labasa

When will we have LPG?
I mean Lower Priced Gas.

Fiji Sun, 11/02/09, p.6

Price of gas

IN Fiji we have been mainly using LPG for cooking, heating, laundry, and baking but now LPG is used by motor vehicles.

The cost of one litre of LPG is \$1.14. But if you compare that price with the 13kg cylinder we use for cooking, there is a big difference in price.

If you convert 13kg into litres it comes to about 25.6 litres and if you multiply that by \$1.14 it will come to \$29.18.

Why is there a big difference in price? Why are consumers being forced to pay the difference of about \$7.00 for a 13kg cylinder of gas?

May I request that the Consumer Council of Fiji

please look into this and let the public know why there is such a big difference in price.

N.D. MISHRA
Suva

Fiji Sun, 30/07/06, p.10

Call for price control on gas

There should be standard pricing for domestic cooking gas.

And the Fiji Consumers Association also called for price control for the sale of this product because it was being overpriced.

The comments follow numerous complaints received by the association on the varying price of cooking gas where consumers are forced to buy at differing prices.

"Domestic cooking gas should be declared a price control item as it has become a necessity in Fiji homes," association secretary

Paras Sukul told *Sunbiz*. "The price of a cylinder of gas varies from \$31.95 to \$38.95 and it is high time cooking gas became a price control item as it is a basic necessity for the contemporary Fiji consumer."

He said the retail prices for this product did not suit consumers and was unfair because there was no standard price imposed. He said the association believed cooking gas was being overpriced in the country because of the existence of a duopolistic environment where only two players dominated.

Fiji Sun, 28/02/07, p.2

Appendix 3

Table 5: Saudi Aramco Contract Prices (Australia), January 2007 – October 2009**

Price \$US/metric tonne	
2007	
January	547.5
February	526
March	506
April	537.5
May	567.5
June	602
July	580
August	592.5
September	570
October	652.5
November	742.5
December	872.5
2008	
January	872.5
February	802.5
March	822.5
April	810
May	852.5
June	907.5
July	927.5
August	875
September	820
October	800
November	490
December	337.5
2009	
January	380
February	505
March	460
April	400
May	390
June	425
July	520
August	505
September	580
October	585

Source: Australia Department of Resources, Energy & Tourism, Liquefied Petroleum Gas (LPG), May 2009 and June 2010 editions.

Notes:

(1) LPG industry production, export and import estimates are based on data collected by the Australian Department of Resources, Energy and Tourism from industry sources.

(2) The Saudi Aramco Contract Price (Saudi CP) used to calculate the international price and import price of LPG is an average of propane and butane prices.

** Monthly averages of butane and propane Saudi Aramco Contract Prices.

Further detail can be found at the LPG Australia website: <http://www.lpgaustralia.com.au>

Gas Companies Price Change Advertisements

To our valued customers

Owing to the devaluation of the Fiji Dollar on Wednesday 15th April, we regret to advise that the price of gas will increase from Monday 11th May.

To lessen the impact on our domestic customers and to address the issue of affordability, we will be reducing the nett weight of gas in the cylinder from 13kg to 12kg for all cylinders delivered from Monday 11th May.

The cylinders will be marked with the new nett weights from the 11th. Other cylinder sizes will remain as they are at present.



NEW

12kg cylinder:

\$41.50^{*VIP}

Recommended Retail Price

**Effective from Monday
11th May, 2009.**

*Prices will vary according to location. Outer islands may incur additional shipping charges.



TURN ON TO FIJI GAS

Suva: Cnr of Amra St & Foster Rd, Walu Bay. Phone: 330 4188 Fax: 330 2546 Lautoka: Waterfront Road, Veitari.
Phone: 666 3355 Fax: 666 4614 Sigatoka: Queens Road. Phone: 650 0578 Fax: 652 0316 Savusavu: Nagere Industrial
Sub-Division. Phone: 885 0437 Fax: 885 0771 Labasa: Nasekula Road. Phone: 881 2973 Fax: 881 3779

www.FijiGas.com.fj

Gas Companies Price Change Advertisements

Announcement to ALL Domestic Gas Customers



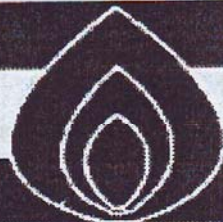
- *No Confusion!*
- *No Tension!*
- *All Bluegas cylinders remain*

13 kg nett.

• *Bluegas price per cylinder:*
\$41.50 VIP

- *There has never been a better time to switch over to Bluegas.*
- *We are the only gas company in Fiji having ISO 9002 certification.*

bluegas



Making your life easier

Suva- Toll Free - 0800 - 3361023
Suva (A/H) - 24/7 Mob: 9906 879
Lautoka - 6664 727 (A/H) 24/7 Mob: 9906 870

Gas Companies Price Change Advertisements

To our valued customers

Due to increasing world gas prices over the past three months, we regret to advise that the price of gas will increase from Monday 15th March.



12kg cylinder:

\$44.50^{*}VIP

Recommended Retail Price

**Effective from Monday
15th March, 2010.**

*Prices will vary according to location. Outer islands may incur additional shipping charges.



TURN ON TO FIJI GAS

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