



FIJI COMMERCE COMMISSION

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2nd August, 2012.

Press Statement

Determination of Prices for the Supply of LPG in Fiji

The LPG industry plays an important role in economic and social development in Fiji. Its highly flexible supply chain provides an energy source to support a variety of economic activity in Fiji. It is essential for all sectors of the economy, the business, industrial, transportation education and the household sector. Hence frequent changes/variations in prices can have major impact on the cash flow and profitability of these entities/institutions. There are also environmental issues which need to be considered under this situation. High price of Cooking Gas pushes people to use fire wood for fuel thus resulting in major environmental and social consequences. There are households, who, as a result of price increases in Cooking gas, have switched from gas to kerosene to source energy thus also contributing to a number of life threatening accidents.

LPG as a substitute for automobile fuel is also something that every country wishes to promote in their quest to reduce air pollution. However, rising prices have seen potential buyers of LPG vehicle to shelve their plans.

The issue of rising prices becomes a major concern when one notes the market structure of LPG supply in Fiji where only two firms are in the market with one holding majority market share and thus, unilaterally dictating/setting prices.

Noting this, in June 2012, the Commission completed an extensive research into the level of Competition and Pricing Structure in Fiji's Liquefied Petroleum Gas ("LPG") Market. The initiation of the investigation was due to recent price hikes and public outcry and request for the Commission to control the prices of LPG in the domestic market. The LPG market in Fiji has three segments:

- **LPG sold in bulk ("Bulk"),**
- **LPG sold in cylinders ("Cylinders"), and**
- **LPG sold as car fuel ("Autogas").**

Following the completion of its study, the Commission, was satisfied that the LPG suppliers have Substantial Market Power (SMP), also noted that, there was evidence, that this SMP was abused by the suppliers. In light of this, the Commission then made a submission to the Minister for a Price Control Order. The Minister, on 12th July, signed off an Order declaring that LPG prices will now be controlled by the Commission.

Following the receipt of the Order the Commission wrote to the LPG Companies notifying them that LPG is now under price control, and declared that the current prices are set as interim prices until the Commission determines and fixes the approved prices. The Commission further requested them to make complete submission to the Commission.

Based on the submissions made and through Commission's independent research, analysis and computation, the Commission has made this determination on the whole and retail price of all forms of LPG sold in Fiji (see Table 1):.

Table 1: Price Changes-Pre-Determination Vs Post Determination

Product Type	Wholesale Price (VEP)	Current Retail Prices (VIP) (\$)	Proposed Retail Prices (VIP) (\$)	Price Change (\$)	Price Change (%)
4.5KG Cylinder	13.68	21.50	16.99	(4.51)	(20.98)%
12KG Cylinder	36.48	54.00	45.31	(8.69)	(16.09)%
Bulk(KG) {Ex-Factory}	3.03			(1.10)	(26.63)%
Autogas (Litre)	1.61	2.05	1.98	(0.07)	(3.41)%

The Commission wishes to thank both the companies for their support and cooperation during the process of this study. In particular, we would like to place on record, the good working relationship we have had with the Blue Gas Ltd. This is a local company and does have a better understanding of the socio economic aspiration of the Fijian people.

The prices will be effective from 4th August, 2012.

The Commission will monitor the prices throughout Fiji to ensure that the retailers do not breach the Commerce Commission Decree 2010 and the Price Control Order on LPG supply and Retailing.

Dr. Mahendra Reddy,
Chair, Fiji Commerce Commission.