



PRICE TRIBUNAL

C/o P.O. Box 98, Rarotonga, Cook Islands Telephone: (682) 29-370

June 2015

Public Consultation Paper on Changes to Fuel Price Regulation

The purpose of this paper is to provide information on the proposed changes to the fuel price regulation in operation in the Cook Islands as per section 16 of the Control of Prices Act 1966.

Consultations are open from 11 June 2015 and close on 25 June 2015.

Submissions must be provided within this timeframe. All submissions must be made in writing and addressed to:

Fuel Price Submissions
Price Tribunal
C/o Ministry of Internal Affairs
PO Box 98
Rarotonga
Cook Islands

Or be emailed to: mata.tangata@cookislands.gov.ck

The changes are planned to come into effect on 15 July 2015, the expected date of the new price order.

Tatiana Burn
President
Cook Islands Price Tribunal

Consultation Paper

Over the past six months, the Price Tribunal with technical assistance from the Secretariat of the Pacific Community has conducted a full review of the fuel and LPG pricing regulation systems that are being used in the Cook Islands. Under the current arrangements, there are multiple templates for the same commodity and the current price orders are company specific. Until now, price orders have been issued quite frequently and relate to every new shipment of fuel. There have been recent changes in the conditions of the supply chain by some companies to improve efficiencies of fuel importation and supply, however, these cost efficiencies have not necessarily been passed on to consumers.

Rationale

Under the Control of Prices Act 1966, the Price Tribunal is responsible for regulating prices, investigating complaints and keeping under review trade and pricing practices to prevent the exploitation of the public.

The current review of fuel price regulation has been undertaken for the purpose of ensuring that consumers get a fair price, protecting consumers from exploitation, creating a level playing field for importers and retailers, encouraging competition and ensuring that any new efficiencies achieved in the market are passed on to the public.

Proposed changes

The proposed changes to current arrangements are outlined in the table below.

Current	Proposed
Multiple fuel price templates per company and per commodity. This has generated frequent and multiple price orders, resulting in confusion and perceived preferential treatment in the market.	Introduction of a single price template per commodity on Rarotonga.
Multiple price orders issued frequently on every shipment for price variations of 5 cents per litre or greater.	Setting prices bi-monthly based on the weighted average of all imports of the previous two months per commodity. The first new price order will be based on the shipments in the months of May and June 2015 and is planned to be issued on 15 July 2015. Importers will be required to continue to provide the Price Tribunal full documentation on each shipment as per current process.
Multiple company specific onshore operating allowances. This has resulted in perceived preferential treatment in the market.	Comparable treatment of all wholesalers onshore operating allowances reflecting the realities of the local market.
No minimum pricing. This allows the potential for predatory pricing.	Setting a minimum market wholesale price.
Multiple maximum prices for the same commodity. This has resulted in confusion in the market.	Setting a maximum market wholesale price.
Maximum retail prices are set based on the maximum wholesale price plus a fixed dollar margin.	Fixing the maximum retail margin rather than the maximum retail price.
No fuel price reference to regional markets.	Benchmark prices against Mean of Platts Singapore for fuel.
No gas price reference to regional markets.	Benchmark prices against Saudi Contract Pricing for LPG.

Review

A follow up review of these new arrangements, particularly the rates for operational allowances and other onshore costs will take place in November 2015 to assess its effectiveness.

ADO/ULP Proposed Pricing Methodology

Set a maximum price based on highest of the company weighted average imports for previous 2 months by product:

- landed cost (includes levy)
- plus an operating allowance
- plus a profit contribution
- plus VAT

Set a minimum price based on the lowest of the company weighted average imports for previous 2 months by product:

- landed cost (includes levy)
- plus an operating allowance
- plus a profit contribution
- plus VAT

Benchmark these prices against a new 'best-practice' template based on Mean of Platts Singapore (MOPS) fuel pricing.

Set a maximum retail margin of 28 cents per litre.

All rates will be kept under review.

A full review will be undertaken in November 2015.

LPG Proposed Pricing Methodology

Set a maximum price based on highest of the company weighted average imports for previous 2 months by product:

- landed cost (no levy)
- plus an operating allowance
- plus a profit contribution
- plus VAT

Set a minimum price based on the lowest of the company weighted average imports for previous 2 months by product:

- landed cost (no levy)
- plus a profit contribution
- plus VAT

Benchmark these prices against a new 'best-practice' template based on Saudi Contract Pricing.

Set a maximum retail margin of:

- 98 cents per kilo for 9kg cylinders
- 93 cents per kilo for 13kg cylinders

All rates will be kept under review.

A full review will be undertaken in November 2015.