

Gas regulation one pricey fix

By [Brian Lee Crowley](#)

With apologies to Sir Walter Scott: Oh what a tangled web we create when first we practise to regulate.

The original quotation, which every schoolchild should know is, of course, “Oh what a tangled web we weave, When first we practise to deceive”. Sir Walter summed up perfectly the challenge that confronts all who would lie and deceive. Reality is always more complicated than our limited minds can grasp. Thus the little facts of the truth constantly trip you up as inconsistencies emerge between what you say and the way things really are.

Many kinds of government regulation fall into a similar category. Regulation is often based on the idea that government can reach into complicated social, economic and business relationships and change just one thing, leaving all the rest as it was. But it just ain't so, as the strange tale of gasoline price regulation in Nova Scotia illustrates.

After many years of regulating gasoline prices, the province succumbed to the evidence: regulation doesn't save consumers money – it costs them. Why? Because prices move up and down faster in the marketplace than regulators can hope to do. Regulated prices may be slower to rise, but they are also slower to fall. Take out gasoline taxes, which are quite different in PEI than Nova Scotia, for example, and what do you see? Over time, price-regulated Islanders pay more than a cent a litre more for their gasoline, on average, than unregulated Nova Scotians.

Yet the Hamm government, given the weakness of its position in our minority legislature, is about to force Nova Scotians to pay higher prices for gasoline. Yes, you read that right. They are about to re-regulate gasoline prices, a move that the Premier has himself admitted will cause Nova Scotians to pay more.

This outcome is the misbegotten offspring of cheap populism sired by shameless opportunism.

A little over a year ago gasoline prices had spiked to over a dollar a litre. Consumers grumbled and politicians looked for a way to show that they cared. The government agreed to the creation of a special legislative committee to examine what could be done to bring prices down. They held hearings across the province.

But by the time the hearings were being held, prices had started to go down, and the public lost all interest. There was nary a consumer to be seen at the committee hearings.

But the owners of rural gas stations showed up in droves because they saw a weak government and a public platform. That combination equals opportunity.

They showed up and regaled the committee at every meeting with tales of woe. Their margins are too low. They can't make a living. Competitors like Sobeys and Canadian Tire and Wal-Mart are discounting gasoline to get consumers into their stores to buy other stuff. Small rural retailers would soon be closing in large numbers, they threatened, leaving consumers without access to gasoline.

Most of this is self-serving nonsense. The fact that retailers, including in towns that serve most of our rural communities, are offering cheap gasoline is a boon for consumers. And saying that a consumer is "rural" is not the same as saying they are "remote". A remote consumer is one with no practical access to gasoline except through a small local independent operator. But the people in those circumstances are very very few indeed.

Still, having pulled the cork, the government could hardly complain if the genie escaped. Expectations had been created. An organised interest group concentrated in rural areas, the government's heartland, had made it clear they wanted action. And in a minority legislature, the government could not concede the issue to its opponents. Hence was born new legislation to re-regulate gasoline.

But the point was not to improve the standard of living of independent gasoline retailers; rather it was to find out how to bring prices down for consumers. And while the independent retailers may be salivating over higher incomes handed to them on a silver platter by the government, recent polling on the topic has shown that rural residents are opposed to paying more to support retailers' incomes by a margin of 56 percent to 37 percent. Whoops.

Based on 1.2-billion litres of gasoline sold in the province each year, an increase of 3 cents for retailers would cost consumers \$36-million. Five cents would cost \$60-million. A huge cost to fix a problem confined to a tiny number of remote communities. And what will the government say the next time some other organised interest group shows up complaining that consumers aren't willing to part voluntarily with enough of their income and they want to government to force them to cough up more?

If this is what people call making minority government work, I'd hate to see it when it wasn't working.

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