

CREW Project Briefing

On the side lines of Global Competition Review Live Conference

0815hrs to 1045hrs, 16th February 2015, Cape Town

On the side lines of a Global Competition Review (GCR) Live Conference held on 16-17 February – a brief meeting was held with heads of African Competition Authorities about the findings of the CREW project. Here below is a brief report of the same.

Rijit Sengupta, Director, CUTS International welcomed all participants in this meeting and thanked them for taking time to join this briefing on the project. He said that CUTS considered this was a great opportunity to share the research findings of the CREW project with heads and high-level officials of Competition Authorities from across Sub-Saharan African countries. There were broadly two purposes of this: (i) share some of the broad findings of the CREW project and receive comments/insights from these experts and (ii) reflect how the issues handled in the project are relevant in their own countries.

To kick-off the discussions, he shared some of the following broad findings from the research findings in the **bus transport sector** (one of the two sectors that were covered under the CREW project):

- Development of the transport sector in the countries seem not to have been properly planned – with the reform measures taken without long-term planning for developing an efficient regulatory environment and a competitive market
- The nature of the market in the bus transport sector has evolved greatly but the regulations/regulatory framework have not been revised in line with such developments in this market
- There is a need for a comprehensive regulatory framework to deal with some contemporary issues, e.g. PPP management, safety, etc.

Various participants provided their inputs in terms of their thoughts on the matter as has been summarised below:

- **Gladmore Mamhare, Officer-in-Charge on Competition, SADC Secretariat** indicated (from his experience in Zimbabwe) that while policies and regulatory frameworks are crucial, it is really implementation that is often a challenge
- **Thula Kaira, CEO, Competition Authority of Botswana** indicated that regulatory reforms in this sector need to be cognisant of the nature of the operators in this market. In a country like Zambia the bus transport sector should be considered as being semi-informal. He added that this has perhaps deliberately been done by the Govt. – given that the sector employs a large number of uneducated and otherwise unemployed youth

- **Kenneth Bagamuhunda, Director, EAC Secretariat** drew reference from Uganda and opined that it is critical to review how the transport sector has evolved and has been managed by governments in a country. He thought the earlier situation where public sector was the main service provider provided better outcomes for consumers than the unplanned proliferation of private providers as is the case at the moment (and seems to have resulted from unplanned privatisation).
- **Norman Manoim, Chair, Competition Tribunal of South Africa** thought that one of the key goals of a transport regulatory regime would be to assess how the interest of commuters and that of operators could be balanced. Drawing from the CREW experience, Rijit indicated that one emerging trend is that the bus transport market can be segregated into two broad components: intra-city and intercity segments. Price regulation (‘fare regulation’) seems more applicable in the intra-city segment given the large public interest goals in this segment. Whereas, the intercity segment could be kept open for market forces. Of course, one issue is that the producers (operators) in these two segments would be different – and not necessarily the same people. However, the above approach would perhaps help strike a balance overall at the level of the sector.
- Gladmore indicated that the experience in Zimbabwe has been quite frustrating, given that bribing and corruption is rife.
- **Francis Kariuki, Director General, Competition Authority of Kenya** briefed the meeting about the progress that has been made in Kenya with regards to regulatory and administrative reforms in the bus transport sector. Some of these included development of the National Transport & Safety Authority (NTSA) – which has been in place since the last 2 years. In addition to the looking at safety issues, this regulator has also dealt with other critical matters like route rationalisation. A process of developing a framework on PPPs in the transport sector was also being considered – especially for introducing BRTS in Nairobi.
- Norman added that Cape Town has done really well in developing a BRTS in the town – and especially in addressing the challenge of dealing with the strong taxi associations which thought that the BRTS would impinge on their business.
- Rijit also introduced the issue of having proper regulatory safeguards at the point of importing second-hand buses/vehicles at the point of entry in the countries – as a means to ensuring a safe transport sector. Kenneth indicated that this is already in place in the EAC – where vehicles beyond 8 years cannot be imported. Sometimes, on public interest grounds permission is granted for such vehicles – but then a 20% mark-up is added to the cost.

Rijit indicated that the other sector that was examined under the CREW project was **staple food**. Again he shared some of the broad findings as below:

- Governments have had to spend considerable amount of money in providing (non-targeted) subsidies on fertilisers across countries. This constitutes a large chunk of the budget of the agriculture sector. However, the effectiveness of such schemes in ensuring that fertiliser reach farmers who need them the most (and on time) is questionable?
- Fertiliser liberalisation has been undertaken and private participation encouraged in the sector. Various different measures have been adopted by the government to regulate prices and quality of fertilisers being imported into the country
- In the output market, a few interesting issues have been noticed. Producers prefer selling their farm produce to private traders and their agents (village assemblers) as they are paid off immediately often the price prevailing in the market. Government's role of setting 'base price' for farmers to sell staple food helps stabilise prices. The other key role for the government is to maintain adequate buffer stock in the country. It emerges that ideally the government should ensure that farmers have enough options to sell their produce to private operators (at or around the 'base price') without much difficulty in receiving payments.

Some further inputs were also received from the participants on various aspects of competition in the **agriculture goods/staple food** sector, as have been presented below:

- Francis opined that the sugar regime in Kenya was being reviewed in Kenya as various other laws and policies in the agriculture sector in the country. The Kenyan Sugar Act has had implications on intra-EAC sugar trade as it restricts the import of sugar in the country. The situation is going to become worse as the leading sugar company in the country (Mumias Sugar) is facing operational problems and could even be closed down. That will have huge implications on sugar availability and prices in Kenya.
- Thulasoni indicated that fertiliser subsidy is a social security measure. One question that needs to be asked is to what extent it has really helped the intended beneficiaries?
- Rijit indicated that it is important to realise that the farming community is a highly heterogeneous community – and consisted of various players from the big farmers and traders to the marginal, subsistence farmer. Subsidies cannot be given universally and governments should ensure that they are 'targeted'.
- Francis opined that licensing of fertiliser importers is an extremely opaque process
- Thulasoni wondered why governments continue to have such strict control over the fertiliser sector – is it purely from a social security (food security) perspective?

- There were discussions on the role of ‘cooperatives’; it was indicated by Francis that cooperatives have worked very well in case of perishable goods, e.g. diary sector.
- Kenneth indicated that a commodity exchange was being planned at the EAC level – which will cascade into the national level in the Member States.

This brought the discussions to a conclusion. There was general agreement that research on these sectors of public interest about the role of competition and regulatory reforms in helping consumers and producers, was very important and relevant.

List of Participants

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