CUTS International

Consumer Watch

April-September 2015

EDITORIAL

Increasing Road Accidents Adversely Affecting Zambia's GDP

Major fatalities in road traffic accidents are due to poor safety standards of motorists, miserable conditions of roads, unlicensed drivers and lack of public awareness on safe use of roads. The Director of Transport and the Ministry of Transport, Works, Supply and

Communication, Nelson Nyangu said that the cost of accidents and consequent deaths are around 3 percent of Zambia's Gross Domestic Product (GDP).

Nyangu while speaking at the Round-table Meeting for 'Competition Reforms in Key Markets for Enhancing Social and Economic Welfare in Developing Countries (CREW) Project' indicated that the probability of road fatalities have increased even more due to the poor quality of seats of the buses. He stated that the CUTS' research revealed that the materials used to make these seats comprise aluminium and steel bars with very little cushion. Moreover, these buses are imported as vans in which the seats are retrofitted. When such buses meet with accidents, the seat material itself proves hazardous for the passengers causing more deaths than the accidents. The Director further elucidated that there is need for the country to have an efficient transport network that could significantly contribute to the country's GDP.

CUTS International Board Member Yusuf Dodia said that the studies by the World Health Organisation (WHO) estimate that almost 1,900 fatalities are recorded per year in Zambia. It is, therefore, in this context that CUTS realised the need for a quick intervention to address the issue and a need for mandatory standard for seat occupancy in the intra-city buses be formulated.

Dodia also mentioned that for businesses it would lead to an additional cost whereas for the consumers it would be an added advantage as they would be assured of safety and quality in the bus transport services.

(New Vision Newspaper, 21.07.15)

INSIDE

NEWS

Unaffordable Prices of Basic Commodities Like Bread

The price of bread in Siavonga, Southern Province of Zambia has increased from K7 to K9 following the continued fall of the kwacha. At Kanyelele, Zambia and Siavonga main markets, bread traders have increased the price of family size bread by K2, while the price of buns and fritters has also increased from the previous 50 ngwee to K1 each.

The traders have therefore decided to raise the price of bread due to the increase in the order price and transportation costs imposed due to depreciation of the local currency. And most of the Siavonga residents are bemoaning the increase in the price of bread, indicating that most families will stop having breakfast as they could no longer afford the commodity.

(The Post Newspaper, 14.09.15)

JCTR Warns Zambian Consumers of Coming Hard Times

Jesuit Centre for Theological Reflections (JCTR) stated that the Zambians must brace themselves for harder times because of the immense challenges Zambian economy has been facing. Life was becoming tough for most

Zambians and many of them were struggling on account of hike in cost of living, stated JCTR.

JCTR Coordinator and Researcher Oliver Haakachaba mentioned that curtailing high poverty-levels in the country was an urgent matter requiring Zambian Government's utmost attention because if left unchecked, Zambians will be headed for more difficult times.

"The ambience that trails over the year 2015 is one of uncertainty, speculation and panic with a limping kwacha, a large fiscal deficit, nation-wide load-shedding and other socio-economic factors that could affect the well-being of every Zambian negatively", JCTR indicated in a statement.

(The Post Newspaper, 11.09.15)

Increasing Power Tariffs Not a Solution – CUTS

CUTS International, Lusaka (Zambia) Coordinator Simon Ng'ona stated that increasing electricity tariffs, at a time when all the economic indicators were nose-diving, was not a solution to the current energy blues. He added

that poor planning on the part of *Zambia* Electricity Supply Corporation (ZESCO) had caused current electricity dearth in the country.

Ng'ona was reacting to a Directive from the Cabinet stating electricity tariffs in the country should be increased immediately for all consumers, except for the poor users, as a way of overcoming current power shortages.

"Cabinet resolved that the lifeline tariff (tariff category R1 for residential) will be increased by five times from 100 to 500 Kilowatt Hours (kWh) per month. The current tariff of 15ngwee per kWh will remain. This translates to just under

2 US cents per kWh. He also said, "This will be made possible by reserving an amount of power from the old power stations, namely Kafue Gorge, Kariba and Victoria Falls, for residential consumers. The R1 tariffs of 500 kWh per month will enable low income households to use electricity for their necessities", the Minister of Youth and Sports Vincent Mwaleddd said.

However, Ng'ona said that the Government was giving consumers the worst prescription ever because private sector will just pass on (to consumers) everything the Government certainly does and ultimately, the one who feels the pinch is the consumer.

(The Post Newspaper, 17.08.15)

Electricity Consumers' Complain for ZESCO's Power Supply Inconsistencies

Electricity consumers continue to complain about ZESCO's failure to stick to the load-shedding time-table. ZESCO in the past few weeks came up with a load shedding time-table, but the company is not adhering to it more often than not.

Consumers also made a call to the private sector to rise to the challenge and assist to boost electricity supply in the country, either through supply of power generators, solar devices.

With this ongoing load shedding, the price of charcoal on the Copperbelt had increased by 100 percent. The increased demand in the commodity had since then seen the Forestry Department carrying out frequent checks on illegal cutting down of trees and charcoal burning. This has affected the supply in the market leading the residents to panic in order to buy the commodity.

(Times of Zambia, 27.07.15)

PSDA's Concern over Rising Goods and Services Prices

The Private Sector Development Association (PSDA) has expressed a deep concern on the

recent fuel price hike announced by the Energy Regulation Board (ERB). PSDA Chairperson Yusuf Dodia indicated that the move will result into an increase in the price of goods and services for consumers.

Dodia mentioned that fuel is a major input in most of the products and investments and common class of Zambians should brace themselves as the cost of living in Zambia will rise if the fuel price hike stands, he added.

Dodia further questioned as to why there was an increase in the price of oil though it remained low in the international market. The ERB announced the hike where petrol, diesel and kerosene were raised to K8.74, K7.59 and K5.40 per litre respectively.

(New Vision Newspaper, 18.05.15)

Anti-competitive Practices in the Pharmaceutical Sector

The pharmaceutical sector just like any other undertaking is likely to be beset by various anti-competitive practices like vertical and horizontal agreements, collusion, tied selling and exclusionary dealing to name a few. It is undeniable that the access to commonly used medicines is essential for the fulfilment of Right to Health. However, millions of people across the globe go without the required treatment, and Zambia is no exception.

A study by CUTS Lusaka, Zambia and the Competition and Consumer Protection

Commission stated that the concerns raised by the various stakeholders show very little price competition among chemists and pharmacists in the urban areas of the country. This indicates that some form of tacit collusion is taking place in the sector. Rampant vertical agreements among doctors and drug retailers have also been noted in the sector.

Doctors often insist the patients to buy drugs from a specific chemist/pharmacy or from the same hospital where the patient is availing medical services. Considering that the Zambian Government does not run an active national medicines price monitoring system for retail prices and that retail medicines price information is not available to the public, according to existing regulation, it is highly recommended that the Government initiates a price monitoring mechanism for essential and commonly used drugs and medical services to ensure easy availability of the drugs and that too at affordable prices.

Moreover, consumers ought to be aware of their rights and responsibilities to safeguard themselves from exploitative practices, which pharmaceutical practitioners tend to engage in.

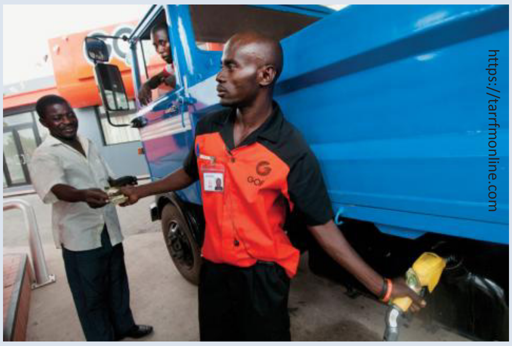
(Understanding the Regulatory Effectiveness and Awareness Raising on Health Care Issues in Zambia, CUTS Research Report)

ZACA Advises Bus Operators against Raising Bus Fares

The Zambia Consumer Association (ZACA) has advised the bus operators against increasing bus fares following the rise in fuel pump prices.

In a statement made by ZACA, Information and Publicity Officer Juba Sakala said that it was imperative that the bus operators maintained old bus fares because only a few months ago when the ERB reduced the pump prices of fuel, the operators resisted passing the same keeping into consideration, consumers giving various arguments.

Fuel pump prices increased by an average of K1.00 in response to the volatility in the country's exchange rate. The new price of petrol



is, at present, is K9.87 from K8.74, while price of diesel has gone up to K8.59 from K7.59 with the cost of kerosene going up by 72 ngwee to K6.12. The ERB announced this development in a statement. Sakala also stated that currently, consumers were already suffering with the power deficit and were looking at other sources as fuel for generators to access power.

(Times of Zambia, 15.07.15)

Transportation Fares Ignoring Consumer Interests, Opines CUTS

CUTS has also called for a relook at the fare setting process to ensure better representation of the passengers using the public transport. Cornelius Dube of CUTS stated that the issue of setting standards in the buses, especially intra-city calls for attention a well-designed mechanism to make operators compete for quality standards.

He explained that according to the CREW Study of CUTS, bus fare had been increasing faster than the fuel price, which implies that fares might be influenced by other factors other than the fuel prices.

The results of the study showed that the average fare per trip for the intra-city route is about K4.94 (about US$0.82), which is higher in many other developing countries.

(New Vision Newspaper, 27.04.15)

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