

Press Release
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CUTS comments on the Energy Regulation Board price reduction

As the Consumer and Unity Trust Society, we acknowledge the government's effort to improve the accessibility of goods and services by reducing the cost of fuel. We therefore welcomed the move by the Energy Regulation Board to revise the pump price of petroleum as follows: Petrol by K1.20; Diesel by 68 ngwee; Kerosene by K1.22; and Low Sulphur Gas (Diesel) by 68 ngwee. These were reductions of 8.76%, 5.96%, 15.19%, and 4.97% respectively.

However, these price reductions were marginal in light of the fuel increments that were undertaken in 2016 where we saw petrol; diesel; kerosene; and LSG go up by 38%, 32%, 31% and 26% respectively.

Higher income households, particularly those who buy fuel directly from service stations will feel the benefits of the price reduction most directly, however, as indicated above, the price decrease is indeed minimal compared to the price hikes that we saw last year.

Regarding public bus transport: last year, following the price hikes, the Bus and Taxi Owners Association increased the bus transport price along Long Distance Routes by 15%, Inter Town Routes by 18% and Local Routes (within town) by between K0.50 to K1.50 depending on the distance of each route.

Unfortunately it is unlikely that this price reduction will have a direct positive impact on the cost of public transport. The decrease in the cost of fuel is minor in comparison to the increase that occurred last year; and following the public outcry that followed, some of the fuel operators who were supposed to increase their fares by K1.50 only increased it by K1.00. Furthermore, since last year, the operating costs of public transport companies has increased due to factors such as the introduction of new taxes, toll gates charges, as well motor vehicle insurance.

We however noted that kerosene received the highest price reduction of 15.19%. To this end we applaud the government, as this will have a positive impact most notably on low-income consumers, particularly those in rural areas.

The petroleum sub-sector, as was acknowledged by the Minister of Finance in the 2017 National Budget, is embedded with inefficiencies. As a result, given the Cost Price Model that the government uses to arrive at the price of fuel, we encourage the government to work on improving the efficiency of the fuel supply chain.

CUTS also notes that the pricing of petroleum products sold in Zambia is mainly affected by movements in oil prices on the international market and the exchange rate of the Kwacha against the US Dollar. As CUTS we encourage the government to implement these changes timeously, particularly when the changes in the market are to the benefit of the consumer. This will serve to minimise the price shocks felt by consumers.



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