



A Submission to the

Fiji Competition and Consumer Commission

Review of Commerce (Control of Prices for Cement
Products) Order 2015

March 2018

1.0 Consumer Council of Fiji's Role

The Consumer Council of Fiji (CCF) as the statutory representative of consumers in Fiji is required by the *Consumer Council of Fiji Act Cap. 235* to *do all such acts and things that it may consider necessary or expedient to ensure that the interests of consumers of goods and services are promoted and protected* (Section 6 (1)). The Council is obliged to make representations to the Government or to any other organisations/persons on any issues affecting the interests of consumers.

2.0 Consumer Council's Submission

The Council is of the view that **the Commerce (Control of Prices for Cement Products) Order 2015 should be extended further**. The following are important considerations.

2.1 Cement industry and Economic Growth of Fiji

Cement is a critical ingredient in the manufacturing of concrete and other products, it represents a basic ingredient in the infrastructure construction and is essential for growing virtually all the sectors thus adding to higher levels of economic growth. The components of the Order 2015, is Cement Products), have varying impact on social and economic growth. The cement industry has great significance to the achievement of national socio-economic development goals of providing infrastructure, sanctuary and employment. Given the fact that cement represents a basic tenet of substantial infrastructure investment and having its broad impact on the economy.

With rapid increase of infrastructure developments in Fiji, the demand for cement is relatively high. When compared the suppliers volume is least to the demand level, if not controlled then there is a highly likely chance that prices will sky rocket.

It is important that cement is made available on a broader choice basis and with fair pricing.

2.2 Cyclone Winston

There was a significant damages incurred by cyclone Winston in 2016, particularly key sectors, such as housing, and Infrastructure.

Table 1: TC Winston Effects by Sector

Sectors	Damages	Losses	Total
Housing	751.0	26.4	777.4
Infrastructure	208.2	40.4	248.6

Source: Fiji Government- Post –Disaster Needs Assessment, Tropical Cyclone Winston, February 20, 2016.)

To revive the livelihoods of local Fijians after the destruction caused by Cyclone Winston in 2016, it's a mandated need to have cement prices under control. Cement is considered as the most essential ingredient in construction of housing. Hence, the need for increased usage of this product will ensure that strong, quality and safe housing is reconstructed.

2.3 Government Housing Policy

The prices of hardware products and choice in the market has implications for the Government's national policy of providing affordable housing for all. The Government's policy intention is to make owning a home less costly and it has taken action such as providing tax breaks and incentives for first-home buyers. It also has provided housing low-cost housing for low-income earners and is assisting in re-settling squatters. The Council believe that the hardware industry should behaviour in a way that compliments Government's initiative. This can be in the form of competitive prices for basic building products like cement and wood. In the cement manufacturing sector, the existence of only two players and the lack of competition requires the maintenance of a price control regime to ensure that consumers are paying fair prices.

2.4 Competition in the Cement industry – Duopoly

For over 50 years, there was only one supplier of cement for Fiji's construction needs, that is, Pacific Cement. It wasn't until 2014 that a new player came into the market, in Tengy Cement Limited.

There are only two suppliers dominating the Fijian market in the production of Cement - Pacific Cement Limited (PCL) and Tengy Cement Limited (TCL). PCL manufactures cement locally and also imports cement products from New Zealand. While TCFL's entry in 2014 brought a competitor to PCL's market, there is still a lack of competition. The unregulated prices under a duopoly situation is not good for consumers in the market. There has been a boom in the local construction in various sectors like tourism, retailing, housing, together with major infrastructure developments by the Government.

2.5 Current price of bagged and bulked cement.

Type or Grade	TCFL	PCL	% Difference
GB Bag Cement	\$222.00	\$227.63	2.5
GP Bulk Cement	\$202.00	\$206.95	2.5

Despite, the entry of a second player in the local cement market, the percentage change for the product sold by the two manufacturer is 2.5 % which is not very significant. The Council believes that a continuance of regulatory price intervention is required. So that prices must be kept under control. The removal of the Order could allow to set prices that is purely profit oriented, and may disadvantage the vulnerable communities.

5.0 Conduct of PCL and TCFL

The Council has not received any direct complains against them, therefore cannot offer a fair assessment of the conduct of the two companies. However, there are some complains that the council has received in regards to in the Construction related issues, hardware and cement issues. The majority of consumers buy their cement from hardware retailers rather than from the manufacturers.

6.0 Recommendations

The Council recommends that the Fiji Commerce Commission extends the *Commerce (Control of Prices for Cement Products) Order 2015* on the basis that a duopoly exists in terms of the

manufacture and sale of cement supplies in Fiji The provision of such product should be viewed as an essential public Product, and therefore must be kept under control. The removal of the Order could allow to set prices that is purely profit oriented, and may disadvantage the vulnerable communities.

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