

CENTRE FOR THE PROMOTION OF PRIVATE ENTERPRISE [CPPE]

FCCPC SHOULD AVOID A PRICE CONTROL MINDSET

The Federal Competition and Consumer Protection Commission [FCCPC] appears to be unwittingly transforming into a price control agency rather than a consumer protection commission. The disproportionate focus of the commission on the retail segment of the economy and pricing issues underscores this assertion. The core mandate of the commission is the creation of a robust competition framework across sectors and protection of consumer rights and interests. Consumer protection is not about directly seeking to control price at the retail end of the supply chain. This is why the CPPE is concerned about the approach, methodology, targeting and the recent threats by the FCCPC to market leaders, traders and supermarket owners.

The commission seem to be fighting the symptoms rather than dealing with the causes of the current inflationary pressure in the economy. Even then, the core mandate of the commission is not to fight inflation. The fiscal and monetary authorities are

statutorily responsible for macroeconomic policy issues and are better placed to deal with the challenge of high prices.

It has been proven, theoretically and empirically, that the best way to protect consumers from exploitation is to diligently promote competition across sectors. Our experience with the telecoms sector amply validates this position. The emphasis should not be on pricing but on deepening the culture and practice of competition and a level playing field for all investors. Intense competition makes profiteering difficult and diminishes the chances of exploitation of consumers. When consumers have choices, it is difficult to exploit them.

The retail sector of the economy is characterized by a multitude of players. There are an estimated eight million retailers in the trade sector of the Nigerian economy. And there are thousands of supermarkets, departmental stores and markets across the country. The higher the number of players in a sector the more competitive the operating environment becomes and the more difficult it becomes for profiteering to take place.

The truth is that the retail segment of the economy is the least vulnerable to price gouging or consumer exploitation on a sustainable basis, contrary to the thinking of the commission.

They do not have the monopoly powers to influence prices or perpetuate profiteering sustainably. Besides, many of them are dealing in perishable items which makes supply manipulation difficult because of the inherent pressure for speedy disposal of the products.

The reality is that the risk of profiteering increases with monopoly powers. This is why the attention of the commission should be focused on creating a good competition framework to deepen competition across sectors.

The commission needs a proper comprehension of the dynamics of pricing and the key drivers of inflation. These factors include the naira exchange rate depreciation, high energy cost, high cost of logistics, seasonality of food production, high cost of funds, extortions on the highways, high post-harvest losses, high cargo clearing cost, impact of the insecurity on food production, climate change and global factors disrupting supply chains.

There is also the emerging dimension of the increasing export of Nigerian products to neighbouring countries in the West African sub region and beyond as a consequence of the weak domestic currency. The incentive to export Nigerian products to neighbouring countries has never been as intense as it is

currently. This is because of the significant appreciation of the CFA relative to the naira. It has become more profitable to export many Nigerian products [including petrol] to neighbouring countries than to sell domestically because of the relative strength of the CFA. This situation has been exerting enormous pressure on domestic prices.

Our view is that the proposal by the FCCPC to traverse markets across the country with objective of ensuring price regulation is unlikely to yield concrete outcomes. This is not a sustainable strategy. What we need to fix are the fundamentals driving production, operating and distribution costs which resulted in spiraling inflation in the first place.

The dynamics of pricing and prices in an economy are much more complex and fundamental and do not seem aligned with the comprehension of the FCCPC on the issue. The variables are numerous, multidimensional and dynamic. It is difficult to make pronouncements on issues profiteering in such circumstances without a rigorous analysis based on data.

The example of the comparative price of a particular brand of fruit blender in the USA and Nigeria cited by the commission is too simplistic and superficial to be relied upon as a basis for the

commission's generalization about consumer exploitation by supermarkets in the country. The commission needs to be more diligent and thorough in its analysis before alleging consumer exploitation by the trading community. Sample size needs to be significant and data integrity needs to be assured to make the commission's verdicts credible.

Meanwhile, the CPPE appeals to the FCCPC to refrain from further intimidation of the operators in the retail sector of the economy most of whom are micro and small businesses, with many in the informal sector. The sector creates millions of jobs across different levels and geographical jurisdictions. There is an emerging risk of market suppression and private enterprise repression by the FCCPC, if the current trajectory continues. This marks an elevation of regulatory risk in the Nigerian economy which is detrimental to investors' confidence.

It should be appreciated that these traders are also victims of the current economic headwinds, especially the inflationary pressures. High prices negatively impact their sales and profit margins. Many of them had in fact shut down their businesses because of the current economic shocks.

The commission should work in collaboration with the other agencies of government to tackle the fundamental causes of inflation in the economy. The focus should be on causative factors driving prices, not the symptoms. This is a more sustainable approach than resorting to intimidation of traders, supermarket owners and market men and women.

It is also important to draw attention of the commission to areas where there are frequent consumers rights violations like the aviation, health, energy markets, electricity market, financial services, telecoms and cable Tv sectors. These areas that demand the attention of the commission even more than the markets.

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