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Press Statement

Announcement of Final Hardware Prices 9th March, 2011.

The Commission today has made a determination on the prices of Hardware items that is critical for the construction sector. It is well established in the Development Economics literature that infrastructure development is crucial for the growth and development of an economy. An important component of infrastructure development is the construction sector. Construction sector helps develop the critical infrastructure required for increased economic activity in any country. Fiji's economy has been having marginal growth over the last two decades. Growth rates of up to 2% are not sufficient to deal with the socio economic challenges that Fiji's economy is facing.

Getting the economy in the right footing is critical to our ability to foster growth and development of the country. An important factor in this equation is prices. Prices in the factor and product market are crucial for the functioning of any market. In both these markets, price should conform to a competitive market. Prices not conforming to a competitive market could be due to several reasons. It could be that the market has high degree of imperfection. Or it could be that there are dominant players. Furthermore, it could also be that suppliers of product are undertaking collective price setting. Such anticompetitive behavior could have disastrous impact on the economy. Business facing an imperfect factor market could lose competitive edge in the product market. Consumers could lose their purchasing power and government real expenditure will have to rise to deliver the same bundle of goods. In this regard, in cases where a competitive market solution cannot be delivered, Competition authorities can intervene in the market via ex-ante regulation.

In this determination, the Commission has announced a set of prices of Hardware products that is critical to boosting growth in the sector.

The initiation of hardware investigation was based on a cabinet decision and subsequently a directive issued by the Minister for Justice, Anti- Corruption, Public Enterprises, Industry, Tourism, Trade and Commerce. The Commission employed certain methodologies using a flexible research design to undertake this study independently and free from biasness. The purpose of this study was to investigate the perceived existence of high mark up by hardware operators that could potentially constitute price-fixing and anti-competitive behaviour. In particular the Commission carried out investigations into the current operation of the wholesale and retail hardware operators in Fiji with particular focus upon:

- The level of mark up in the relevant market for wholesale and retail.
- The anti-competitive behaviour in Fiji's hardware industry in the relevant market
- The alleged price fixing and collusion that occurs in the relevant market
- The size and other characteristics of the hardware industry in the relevant market.

The investigation was completed in July and the report was handed over to the Minister for Justice, Anti- Corruption, Public Enterprises, Industry, Tourism, Trade and Commerce with a number of recommendations from the Commission. The major findings by the Commission were:

- Existence of very high levels of mark-up on various hardware items, including fasteners, paint, tools, electrical products, plumbing and timber.
- Suggestive indications of price fixing and collusion in the hardware supplies market.
- Non adherence to the Accounting standards by the hardware operators and their Accounting firms.
- Suggestive indications of price manipulation and fraudulent activity by hardware companies who are having various buying houses in overseas, charging high amounts of transfer price – a case of profit shifting to inflate the cost of hardware materials and product.
- Importation and sale of sub-standard hardware items in the market.

Based on the above findings and amongst other recommendations the Commission proposed for a Cabinet decision to approve a Price Control Order giving powers to the Fiji Commerce Commission to regulate the wholesale and retail prices for hardware products. The above recommendation of the Commission was considered by the cabinet, and it was approved that the price of the hardware items in Fiji needs to be controlled. The Commerce (Control of Prices for Hardware Items) (No.2) Order 2010 came into force from 5 November, 2010 and empowers the Commission to:

- Control prices of specified items as per the Schedule in the order.
- Obtain evidential documentation of costs incurred prior to approving of prices.
- Determined and fixed the Maximum Retail Prices (“MRP”) and Maximum Wholesale Prices (“MWP”) of items stated in the Schedule of the Order.

Following the coming into being of the Price Control Order for the Hardware products, the Commission undertook a research towards setting the prices of the products sold by Hardware outlets in Fiji. During this process, the Commission undertook extensive consultation with the Hardware industry stakeholders.

The Commission today announces a set of maximum retail and wholesale prices of Hardware products for sale in Fiji. The percentage change varies but ranges from 0 to 2164% with average reduction of 35%. (see Table 1).

Table 1: Percentage Change of Prices by Hardware Outlets.

Product Line	percentage change					AVG
	Carpenters	VP	RCM	Kasabias	GMR	
Cladding & Boarding	9.44%	16%	10%	20%	11%	13.29%
Concrete Blocks	11.95%	14%	10%	30%	13%	15.79%
Electrical	29.07%	145%	14%	93%	71%	70.41%
Fasteners	106.03%	107%	12%	88%	42%	71.01%
Louvre	13.58%	18%	13%	21%	14%	15.92%
Paints	14.92%	103%	13%	31%	18%	35.98%
Plumbing	73.66%	95%	17%	68%	124%	75.53%
Plywood	19.68%	14%	9%	8%	13%	12.74%
Tiles	13.75%	11%	11%	12%	12%	11.95%
Tools	51.70%	89%	16%	75%	56%	57.54%
Timber	18.90%	19%	11%	13%	14%	15.18%
Roofing	10.88%	29%	28%	35%	38%	28.18%
RANGE	0% - 2381.75%	0% - 2164.49%	0% - 667%	0% - 924%	0% - 1262.05%	35.29%

The total number of products in each outlets varies based on the size of Hardware and the range of products they carry (for details, see Table 2).

Table 2: Number of Products in each category under Price Control by Hardware Outlet.

Product Line	Carpenters	VP	RCM	Kasabias	GMR	
Cladding & Boarding	8	81	27	36	13	165
Concrete Blocks	13	18	16	11	10	68
Electrical	95	86	407	143	178	909
Fasteners	78	241	394	143	279	1135
Louvre	15	69	65	102	36	287
Paints	136	73	437	118	214	978
Plumbing	40	164	232	250	203	889
Plywood	29	48	33	18	18	146
Tiles	47	291	206	232	97	873
Tools	90	254	178	383	66	971
Timber	65	140	148	104	111	568
Roofing	29	11	77	12	19	148
Total	645	1476	2220	1552	1244	7137

The full list of prices for each specific items for individual hardware outlets are now available from Fiji Commerce Commission offices in Suva, Lautoka and Labasa.

The new set of prices will come into effect on the 19th of March, 2011.

The Commission wishes to thank all the industry stakeholders for their support and we look forward to working with them to ensure that economy grows without any impediment.



Dr Mahendra Reddy,
Chair, Fiji Commerce Commission.