

**JOINT MARKET STUDY BY THE GAMBIA COMPETITION AND CONSUMER PROTECTION
COMMISSION AND WEIGHTS AND MEASURES BUREAU**

ON

LIQUID PETROLEUM GAS (LPG) SECTOR IN THE GAMBIA



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OVERVIEW OF THE SECTOR

Over the years Liquefied Petroleum Gas (LPG) has become a substitute for traditional fuels like charcoal and firewood which is encouraging given that it will lessen the rate of deforestation. Most households now opt for LPG because it is easier to use, less time consuming and environment-friendly. LPG has become very important in both the Greater Banjul Area and other regions, as it is today seen as the ideal fuel for modern kitchens, due to its safety, reliability and convenience.

The Gambia's annual consumption of LPG was estimated at 1,350 tons for the period, 1996 to 1999, while the estimate for year 2,000 was approximately 2,000 metric tons. The share of household consumption, in total imports, is estimated at 85%, the remaining 15% represents consumption by the hotel industry (source: Article on Energy Sector by Access Gambia).

Until 2009, The Gambia imported LPG mainly from Senegal. In 2009, The Gambia started importing LPG through Euro African Group Ltd (EAGL) from Holland to address LPG shortages. This led to the imposition of an embargo on the importation of LPG by the government.

The current Major Retailers in the market are: Galp Energia, Njegan, Hadim, Corringba, Amina's Holdings and Native Gas.

EURO AFRICAN GROUP LIMITED

Euro African Group Limited (EAGL) is a private company and its main role is to import all petroleum products into The Gambia, this is stored in the Gam Petroleum depot in Mandinaring. EAGL has 42% shares in Gam Petroleum whilst The Gambia Government owns 58%. The depot has a storage capacity of 1,000 tones for LPG. EAGL imports LPG from Holland and sell to Retailers. They also fill LPG cylinders for Galp.

Since its establishment in 2009, it has had exclusive rights to import petroleum products into The Gambia. According to EAGL they enjoyed exclusive protection from the government on the importation of LPG from 2009 to mid 2014. The sector has since been liberalized meaning Retailers/Distributors can freely import LPG from any country of their choice. EAGL still enjoys Government incentives like exemptions from paying import duties or VAT.

THE MARKET STRUCTURE

In The Gambia LPG is available in 3 kg, 6kg and 12 kg cylinders for domestic use. The LPG sector comprises of one main importer EAGL and six major Retailers (distributors) .The distributor's role in the market is to buy LPG from EAGL in tones and then re-sell. All six companies have their own vehicles to distribute their LPG; in addition some use the services of middle men in the distribution process. The middlemen are paid commission on sales.

There has been an increment in the wholesale and retail prices of LPG on all categories. This was experienced after the Commission issued a directive to LPG dealers to desist from selling under weight Gas to consumers. Below is the price list of all dealers before and after the directive.

PRICE LIST

COMPANY	CATEGORY (Kg)	PREVIOUS	CURRENT
NJEGAN	3	180	205
GALP	3	200	240
CORRINGBA	3	180	225
NATIVE	3	200	225
HADIM	3	200	225
AMINA'S HOLDING	3	200	225

COMPANY	CATEGORY(Kg)	PREVIOUS	CURRENT
NJEGAN	6	375	470
GALP	6	425	510
CORRINGBA	6	330	475
NATIVE	6	450	475
HADIM	6	450	475
AMINA'S HOLDING	6	450	475

COMPANY	CATEGORY(Kg)	PREVIOUS	CURRENT
NJEGAN	12	750	900
GALP	12	825	1000
CORRINGBA	12	650	900
NATIVE	12	850	900
HADIM	12	875	900
AMINA'S HOLDING	12	850	900

****Current is after the directive (May 2015) for dealers to fill their cylinders to capacity and Previous is before the directive (February 2015).***

The tables above depicts that Corringba, Native, Hadim and Amina's Holding charge the same price on all categories of LPG in the current column. Each company is expected to have a distinct cost structure; therefore prices are expected to be independently set. This raises the suspicion of concerted price fixing.

SENSITIZATION PLAN: LPG

Consumer education is an essential component of the Commission's Consumer Protection mandate. It helps consumers acquire the necessary information to make informed choices and manage their resources. The Commission is obliged to undertake consumer education under (section 16(i) and (k)) with regards to goods and services bought by consumers, including LPG.

OBJECTIVE

This sensitization plan will focus on the types of LPG cylinders available in the market and their capacity (**See annex 1, 2, and 3**). The objective is to raise the awareness of the general public about the correct weight and sizes of empty and filled LPG bottles ranging from 3kg to 12kg. This is to ensure that consumers get their money's worth.

MODE OF SENSITIZATION

The sensitization will be done through Television, print media, billboards and posters and outdoor programmes

Television : The television programmes are to be done in English with translations in the major local languages, in order to reach the target audience (general public). Television, being an audiovisual medium, is considered the most appropriate for the proposed sensitization given that the LPG cylinders need to be visible and the necessary information communicated.

Duration: The campaign will last for one (1) month, comprising four (4) slots stretched over the period (One slot per week).

1. Bill Boards / posters

As visual materials, this will capture people's attention and get the message across effectively.

Location: To be positioned at strategic locations across the country.

2. Outdoor sensitization programme

With the aid of visual materials, the sensitization team will visit different communities to demonstrate the different type of cylinders available and explain the right weight of each.

Location: To be conducted nationwide.

BENCHMARKING GAMBIA AND SENEGAL LPG MARKETS

Senegal borders the Gambia and both countries share similar end user price factors, such as mode of product transport, controlled pricing, protection of domestic suppliers, degree of competition, clear and stable legal framework, effective monitoring and disclosure of industry statistics, thus the reason to benchmark. The benchmark is focused mainly on the pricing and regulation of LPG in both countries

MARKET STRUCTURE

Senegal is supplied LPG primarily through imports. Supplies are also available from the local refinery, but LPG production from the refinery is small compared to the total market requirements of the country. The local refinery, which has responsibility for all LPG supply, is jointly owned by the government and private oil marketing companies. The Societe Africaine de Raffinage (SAR) refinery, which is located in Dakar, has very limited LPG production. The refinery has both private and public ownership. The current ownership is about 90% split among the four largest marketers and 10% held by the Senegalese government

The LPG industry in Senegal is primarily in the hands of the private sector. There are four major LPG distributors and marketing companies operating in Senegal. These companies include Total, Mobil, Shell and Mam Jarra. In addition, there is a local private company named ToubaGaz, which is a relatively new entrant into the Senegal LPG market. The LPG distribution mechanism in Senegal appears to be fairly developed. Senegal has one of the largest LPG storage capacities in the sub region. As noted earlier, the storage capacity is owned and operated both by the local refining company and private LPG marketers.

The Gambia unlike Senegal has no refinery company therefore; the country entirely depends on imported LPG through a private company (EAGL). The country also has only one importer compared to Senegal with at least four importers. In the same vein, the public private partnership in the sector is only in the storage of LPG, which is stored by Gam Petroleum in its depot in Mandinaring. Gam petroleum is 58% government owned and 42% private.

LPG CYLINDERS

In the Senegalese market both imported and locally produced cylinders are used. Senegal started the production of cylinders in early 1999 with a local manufacturer, Distribution de Produits Metallique (DIPROM). The company has the capacity to produce approximately 300,000 cylinders per year. The main customer of this company is Touba Gaz (a subsidiary

company) and other LPG marketers import LPG cylinders. The different LPG companies in Senegal are differentiated by the colour of their cylinders along with their brand name.

Unlike Senegal the Gambia does not have a cylinder manufacturing company thus most of its cylinders are from Senegal and in Galp's case from Portugal. Galp Energia Gambia Ltd commenced the distribution of the LPG in 2010. They import a branded cylinder unique to Galp which consumers pay an initial deposit for the acquisition of the cylinder. Galp is the only company in The Gambia that differentiates its cylinders through its colour and brand name. Other distributors differentiate themselves through the colour of the cap of the cylinders. It is important to note that none of these distributors have their own cylinders apart from Galp.

REGULATORY STRUCTURE

SENEGAL:

The LPG market in Senegal is fully deregulated, in 1998; a law was passed with the intention of liberalizing the hydrocarbon sector of the economy. The law covered the importation of refined products, refining, storage and transportation. It was intended to provide for third party access to existing storage. Shareholders in the refinery were allowed access to storage facilities located at the SAR refinery. The SAR refinery had a monopoly on the importation of LPG, mainly due to the subsidy that existed which allowed the government to execute the subsidy by direct payment to SAR. The subsidy has phased out over a 5-year period, SAR's monopoly on LPG importation has expired and marketers can now import LPG directly if desired. Under the subsidized plan, the LPG subsidy was being reduced by 20% per year over a 5-year period. The first 20% reduction in the subsidy occurred during 1999.

A number of government ministries are involved in the regulation of petroleum products and LPG in Senegal. The Ministry of Energy currently oversees much of the energy industry. The Environmental Ministry is also involved in the hydrocarbon sector of the economy.

THE GAMBIA:

All petroleum products in The Gambia are imported. In the past most LPG were imported from Senegal however this eventually created issues such as shortage. EAGL is currently the only importer of LPG to the Gambia as it used to be a state protected monopoly until mid 2014. The Government protection meant no other company was allowed to import LPG apart from EAGL, and it was done to tackle crises of LPG scarcity amongst others. EAGL mainly imports LPG from Holland. The LPG storage facility is located at Mandinaring, the storage is solely managed by Gam Petroleum, which is 58% state owned. The primary legislation governing the sector is the Petroleum Act 2004; the primary companies involved in the marketing and distribution of the

LPG include Galp Energia Gambia Ltd, Native, Amina’s Holding, Njagan, Hadim and Corringba. EAGL continues to enjoy import subsidies from the government in the form of duty waivers. According to EAGL, the Government of The Gambia has fully liberalized the LPG market as the protection offered to EAGL has phased out.

PRICING OF LPG

The price of LPG is cheaper in Senegal than the Gambia. The quotations from the Gambia and Senegal are summarized in the table below.

COUNTRY	PRICE PER TON (\$)
SENEGAL	705
GAMBIA	1170

Source: the price per ton for the Gambia is obtained from EAGL while Senegal’s is obtained from Touba Gas

The table shows that the price of LPG per ton is \$465 higher in The Gambia than Senegal as at May 2015.

FINDINGS

1. The Six Retailers alleged that they are currently unable to buy LPG from EAGL because they are not accepting the Dalasis equivalent per ton from them. According to EAGL they are unable to accept the dalasi due to the government’s pronouncement on the dollar ceiling; the dollar is unavailable at the pegged rate in most commercial Banks. EAGL makes all its purchase in USD thus the availability of the foreign currency is crucial to their business.
2. Gambian LPG Retailers are losing consumers to the Senegalese retailers in the rural areas especially in border towns/villages like Farafenni due to cheaper prices in Senegal and proximity.
3. According to the LPG dealers they are not aware of the lifting of the embargo on the importation of LPG.
4. There are no standardized branded cylinders apart from that of GALP Energia in the market.
5. The price of LPG per ton has reduced from \$1400 to \$1170 accounting to 16.43%. However, this has not reflected on the retail prices for consumers.
6. Some distributors use the services of unregistered middlemen who are alleged with reducing the net content of the cylinders

IMPACT OF MONOPOLY ON THE SECTOR

The government provided protection to EAGL in the form of an embargo on the importation of LPG from 2009 to 2014. This was mainly to curb the frequent shortages of LPG and the dependency on Senegal.

Despite the positive gains of the establishment of Euro Africa, its monopoly power did not go without demerits. The embargo:

- Limited the choice of major retailers, and lessened their bargaining power to get LPG at the most competitive price
- The reduced price per ton in the Gambia which is \$1,170 is still relatively higher than that of Senegal which is \$750 as at May 2015.
- Senegal has four major importers of LPG while the Gambia has only one, thus Senegal's sector is more competitive in terms of pricing and choices.

RECOMMENDATION

- The secretariat of GCCPC would recommend an investigation to its board of commissioners into the suspected practice of price fixing amongst Retailers.
- Sensitization on the LPG cylinders should be carried out by GCCPC and the Weight and Measures Bureau to ensure adequate public awareness.
- The Directive on the liberalization of the LPG sector should be publicized for the information of stakeholders.
- The middlemen in the LPG sector should be registered.
- The commission should continuously monitor the LPG sector

CONCLUSION

The Government deserves commendation for liberalizing the energy sector which includes LPG. This gives the consumers the chance to enjoy the full benefit of competition. The Commission is hopeful that the liberalization will lead to consumers having a variety of choice available at the least possible price. The data collected on the prices of LPG in the study raises suspicion of concerted practice or price fixing amongst the LPG wholesalers.

ANNEX : 1

2.75Kg CYLINDERS

GALP CYLINDER



Category	2.75
Empty	3.3
Filled	6.05
Net	2.75

CYLINDERS USED BY OTHER DISTRIBUTORS



Category	2.75
Empty	3.5
Filled	6.25
Net	2.75

ANNEX : 2

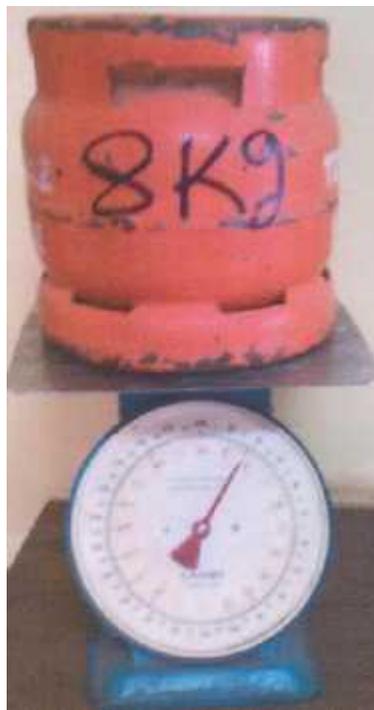
6KG CYLINDERS

GALP CYLINDER



Category	6
Empty	4.4
Filled	10.4
Net	6

CYLINDERS USED BY OTHER DISTRIBUTORS



Category	6
Empty	8
Filled	14
Net	6



Category	6
Empty	10
Filled	16
Net	6

ANNEX : 3

12KG CYLINDERS

GALP CYLINDER



Category	12
Empty	11
Filled	23
Net	12

CYLINDERS USED BY OTHER DISTRIBUTORS



Category	12
Empty	18
Filled	30
Net	12



Category	12
Empty	14
Filled	26
Net	12

