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New competition law hits the heartland:

The first to benefit will be consumers paying more for kopi-o and school bus fares

By IVAN PNG

IN January, the Competition Act came into force.

The US government stipulated that we must enact a general competition law as a condition for concluding a free trade agreement.

Ironically, the immediate impact of the Competition Act may not benefit any US business interests.

Presently, coffee shops and kopitiams charge 60 cents for a cup of black coffee (kopi-o) and 80 cents for a cup of coffee with evaporated milk and sweetener.

However, recently, the Foochow Coffee Restaurant and Bar Merchants Association and the Kheng Keow Coffee Merchants, Restaurant and Bar-Owners Association recommended a 10 cents per cup price increase.

The two associations represent 700 coffee shop owners.

Hong Poh Hin, chairman of the Foochow association, was quoted as emphasising that the price increase was not compulsory, but he predicted that the majority of shops would raise prices.

Last year, school bus fares ranged between \$50 and \$200, with the average being about \$65 a month.

With over 600 members and a combined fleet of 1,000 buses, the Singapore School Transport Association commands 90 per cent of the school bus services market.

In late December, the Association announced a fare increase of up to 10 per cent. The minimum increase was \$5 and the maximum was \$10 a month.

Comfort Bus, which serves just seven schools, does not belong to the association.

It also raised fares - by 10 per cent, or by \$3-10 a month.

The Competition Act, Section 34(2), prohibits agreements which 'directly or indirectly fix purchase or selling prices or any other trading conditions'.

The Act also established the Competition Commission of Singapore to enforce the competition law.

The Competition Commission has published guidelines to explain the Act.

Guideline 2.20 states: 'An agreement involving price-fixing will always have an appreciable adverse effect on competition even if the parties to such agreements are SMEs.'

Further, guideline 3.5 states: 'Recommendations of a trade association in relation to price, or collective price-fixing or price co-ordination of any product may be considered to be price-fixing, regardless of the form it takes.'

In Parliament last Tuesday, Minister of Trade and Industry Lim Hng Kiang revealed that, so far, the Competition Commission had received two complaints of violations of the Competition Act.

The complaints had been filed by a consumer and a member of the public, and are being investigated.

Comply with competition law

In a supplementary question, I referred the Minister to the price increases by the coffee shop and school bus associations.

Mr Lim declined to respond directly, but said that the Commission would work with business and trade associations to comply with the competition law.

It would be interesting to know whether the coffee shop or school bus associations are among the two cases presently under investigation.

This would be ironic because enforcement against coffee shops or school bus operators would hardly seem to create new opportunities for US business interests.

I can't imagine the neighbourhood auntie switching from the nearby coffee shop to Starbucks.

Nor do I see Laidlaw (the largest private US school bus contractor) poised to enter Ang Mo Kio or Tampines to provide school bus services.

So, who benefits from the new competition law? For the time being, the main beneficiaries may well be our own heartlanders.

Thank you, Uncle Sam!

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