

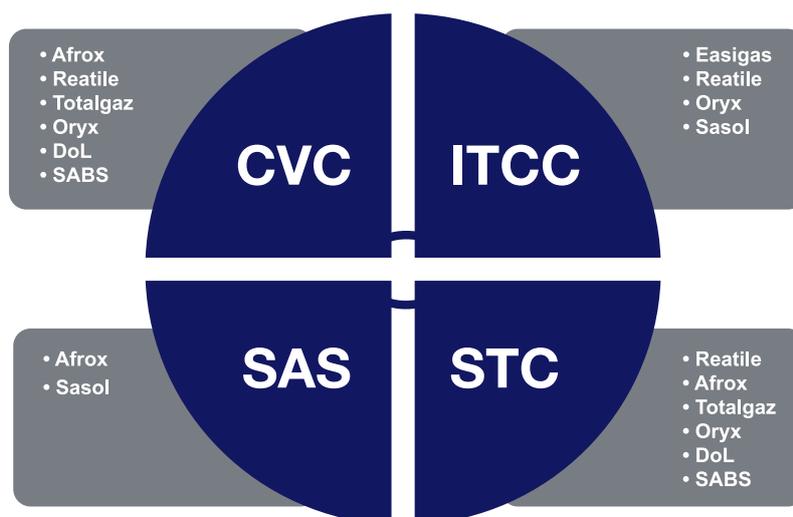
5. Industry associations

5.1. Several industry associations in the LPG sector exist. These associations are the result of market participants organising to: (i) Address specific concerns in the industry (eg. safety); (ii) Promote the use of LPG in the economy (joint advertising promoting using LPG at home); and (iii) Administer technical specificities in the field (registration of installers). The role and activities of each industry association are outlined:

The Liquefied Petroleum Gas Safety Association of Southern Africa (“LPGSASA”)

5.2. The LPGSASA is a non-profit organisation representing various companies involved in LPG installations, distribution, retailing, hardware and appliances. The association’s aim is to ensure the sustainable growth of the LPG sector through compliance with the best safety and business practices.⁵⁹ Membership of the association is purely voluntary. Membership fees and adherence to its Code of Conduct are the main requirements. The LPGSASA is mandated by DoL to carry out all verification and enforcement activities under SANS 1539, 1237, 1156-2 and 10019. The membership structure of the LPGSASA is divided into six categories⁶⁰ and it is subdivided into four sub-committees.⁶¹ The LPGSASA committee meetings are held on a quarterly basis.⁶² Figure 17 demonstrates the committees where market participants meet.

Figure 17: LPGSASA sub-committee representation by selected stakeholders



Source: LPGSASA submission, March 2015

59 Retrieved from <http://www.lpgas.co.za/> [Accessed: 18 November 2015]

60 These are the : (i) producers division; (ii) hardware division; (iii) installers division; (iv) auto converters division; (v) distributors/dealers division; (vi) resellers division; (vii) affiliates; and (viii) associates.

61 Refer to LPGSASA submission dated 05 April 2015, p3

62 Submission by LPGSASA dated 4 May 2015, p3

*Cylinder Verification Committee (“CVC”)*⁶³

- 5.3. The responsibilities of the CVC are to address complaints relating to cylinders, investigate cylinder-related failures, maintain compliance standards and maintain a register of accepted cylinders and valves. In addition, the CVC issues local manufacturers or importers of LPG cylinders with cylinder verification permits, required prior to the importation of cylinders.

*Installer Training and Competency Committee (“ITCC”)*⁶⁴

- 5.4. The ITCC is the body accredited to conduct the training and assessment of LPG installers. This training covers the following disciplines which installers must be licensed to carry out: (i) Residential (domestic) LPG installer; (ii) Commercial LPG installer; (iii) Industrial LPG installer; (iv) LPG road tanker manufacture/maintenance; and (v) LPG road vehicle conversion (autogas). The committee reviews and make recommendations about installers for registration with SAQCC. Membership is open to any LPGSASA members in good standing.

*Safe Appliance Scheme (“SAS”)*⁶⁵

- 5.5. In terms of the Pressure Equipment Regulations, it is mandatory for an importer of appliances, hoses and regulators to obtain a verification permit from the LPGSASA, if it intends on selling the product in South Africa. The SAS provides a platform to apply for the permit.

*Specialist Technical Committee (“STC”)*⁶⁶

- 5.6. The STC provides technical and safety advice to the boards of directors of the LPGSASA and SABS committees and various government departments on numerous matters. Broadly speaking, these include matters relating to changes and/or amendments to LPG-related national and international safety standards, the nomination of representatives for various safety standards bodies (including the SABS’ technical committees), the DoL’s Pressure Equipment Committee and SANAS.

63 Refer LPGSASA CVC terms of reference

64 Refer to LPGSASA ITCC terms of reference

65 Refer to Safe Appliance Scheme terms of reference

66 Refer to LPGSASA STC terms of reference

- 5.7. The LPGSASA's sub-committees ensure that narrower interests are focused on, and that the association promotes, the use of LPG through the encouragement of safety practices. These narrower interests may be of more benefit to the sub-committee members, to the exclusion of members not part of the sub-committees⁶⁷

South African Petroleum Industry Association (“SAPIA”)

- 5.8. SAPIA plays a strategic role in addressing a range of customary issues relating to the refining, distribution and marketing of petroleum products, along with promoting the industry's environmental and socio-economic progress.^{68,69} SAPIA fulfils this role by proactively engaging with key stakeholders, providing research information and expert advice and communicating the industry's concerns to government, members of the public and the media. SAPIA is directed by a Board of Governors comprising ten members from member companies. Each member of the board represents a member company at the executive level. The Chairman and Vice Chairman rotate annually. SAPIA has committees comprising individuals from member companies and SAPIA staff members.⁷⁰
- 5.9. SAPIA was granted a conditional exemption in 2010 until December 2015 to allow players to carry out specific exchange agreements and practices required to ensure the continuity and stability of supply of liquid fuels in South Africa. The exemption followed the designation of the petroleum sector by Minister of Trade Industry in 2009. The exemption did not cover LPG. The exemption was renewed in December 2016 and will expire on December 2017.⁷¹

Independent Gas Association of South Africa (“IGASA”)

- 5.10 IGASA is a voluntary association for small, independent LPG distributors. It represents independent distributors and/or resellers not affiliated with the four major distributors.⁷² The association aims to promote the safe and efficient use of LPG at competitive prices for both retailers and consumers.⁷³

67 Submission by KayaGas dated March 2015, p41

68 Retrieved from <http://www.sapia.co.za/> [Accessed: 18 November 2015]

69 Some of the existing members are: Afric Oil (Pty) Ltd, Bahlaloga Technology, Brent Oil (Pty) Ltd, BP Southern Africa, Camel Fuels, Chevron South Africa, Easigas, Elegant Fuels, Energy Oil (Pty) Ltd, Engen Petroleum Limited, Gulfstream (Pty) Ltd, Imbizo Petroleum Traders (Pty) Ltd, Khulaco (Pty) Ltd, KZN Oils (Pty) Ltd, Mabele Fuels (Pty) Ltd, Makwande Energy Trading (Pty) Ltd, MBT Petroleum (Pty) Ltd, Oryx Oil South Africa (Pty) Ltd, PetroSA (Pty) Ltd, Royale Energy Ltd, Sasol Ltd, Shell SA (Pty) Ltd, Siyanda Petroleum, Total South Africa (Pty) Ltd, TOTALGAZ Southern Africa and Tunica Trading 59 (Pty) Ltd, trading as AEMCOR.

70 The committees are: (i) Board of Governors; (ii) Strategic Oversight Committee; (iii) Legal Committee; (iv) Communications Committee; (v) Transformation Committee; (vi) Petroleum Industry Engineering and Environment Committee; (vii) Refinery Managers' Environmental Forum; and (viii) Technical Committee.

71 http://www.gov.za/sites/www.gov.za/files/40342_gon1239.pdf

72 Refer to IGASA submission, para 4, p2, dated 27 November 2014

73 Refer to IGASA submission, para 5, p2, dated 27 November 2014

World LPG Association (“WLPGA”)

5.11. The WLPGA is the global organisation for the LPG sector and represents the full value chain. The association brings together public and private companies throughout the value chain, develops partnerships with international organisations and is involved in project implementation. The WLPGA network has over 220 members operating in over 125 countries. The primary goal of the association is to add value to the sector by driving premium demand for LPG while also promoting compliance with good business and safety practices.⁷⁴

Industry associations and information exchange

5.12. In most situations industry association activities are procompetitive or competitively neutral. For example, a trade association may help establish industry standards that protect the public or may represent its members before government departments, providing valuable information to inform government decisions. These activities do not pose a competition risk when done with adequate safeguards.

5.13. One area of competition concern is the practise of exchanging sensitive business information among competitors, whether within the industry association or any other industry group. While information exchanges among competitors increases transparency in the market, which can lead to efficiency enhancing benefits, information exchanges may also present competition risks.

5.14. It is well accepted that increased transparency in the market, which results from information sharing, may benefit consumers directly and produce efficiencies for the firms involved, resulting in improved consumer welfare. For example, market transparency may be pro-competitive when it eliminates information asymmetries, enhances informed choice by market participants and even allows certain markets to function. Whether the information is shared among all the market participants or remains limited only to those on the supply side determines much of the benefits that will be derived from the information exchange. For suppliers, the benefits of information exchanges generally accrue, irrespective of whether the information is shared only among them or with the whole market.

5.15. Notwithstanding the benefits outlined above, enhanced transparency can harm competition. In some situations, competition may be harmed where the exchange of information facilitates collusion among competitors by allowing them to establish the terms of coordination, monitor adherence to coordinated behaviour and

74 Refer to the World LPG Association Annual Report, available at <http://www.wlpga.org/wp-content/uploads/2015/12/WLPGA-Annual-Report-2015-Light.pdf>

effectively punish any firm part of the collusive agreement but decides to cheat and deviate from the terms of coordination. In other situations, competition may be harmed where information exchanges may lead to market foreclosure or exclusion of other competitors from the market. For instance, potential new entrants may be placed at a significant competitive disadvantage compared to the incumbent competitors involved in an information exchange scheme. There are also situations where the exchange of information harms competition by eliminating the uncertainty and secrecy of behaviour of competitors.

- 5.16. The potential for anti-competitive effects depends on several key factors, like the type of information exchanged and the structural characteristics of the market involved.
- 5.17. For example, the structure of the market and levels of concentration is an important factor in determining how anti-competitive information exchanges are, given that achieving and sustaining collusion is easier in more concentrated markets with few players. The nature of the information exchanged (the information age and level of aggregation) is also important because not all information has the same collusive potential or necessarily has to be exchanged in order for the benefits of increased transparency to be brought to bear. Exchanges of information on future pricing intentions carry the greatest risk to competition while information about costs or demand forecasts has little coordination potential. Past and historical information have a much lesser collusive potential than current or even future information. The level of aggregation is another important factor given that the exchange of disaggregated information has the greatest anticompetitive potential.

Conclusion of industry association

- 5.18. While industry associations advance the interests of the industry, such as safety and the development of standards, associations can potentially become platforms used to either share commercially sensitive information or exclude market participants.
- 5.19. The Commission will pursue an enforcement route if any such evidence should be disclosed.