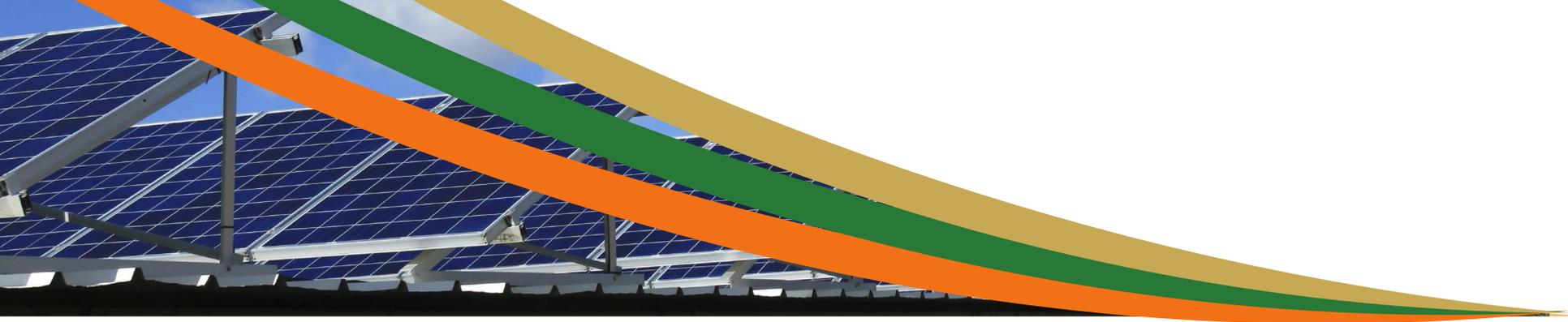


Online Intermediation Platforms Market Inquiry

29 November 2021



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

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Introduction and general remarks

- The Competition Policy and Economic Planning Branch welcomes the initiative by the Competition Commission to conduct a market inquiry on the Online Intermediation Platforms Market.
- As the oversight custodians of the Competition Act amended in 2019, the department believes that all economic sectors must be encouraged to develop equal economic opportunities and participation for all South Africans, regardless of the industry.
- One of the key objectives of the Competition Amendment Act is to promote economic participation by Historical Disadvantaged Individuals in ALL sectors of the economy.
- This can be done by including interventions in deconcentrating of markets through such inquiries. Therefore the department agrees with the spirit of the inquiry.



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1. Scope and categories of the inquiry

- The department is happy with the scope. However, the omission of FINTECH as a critical category/ subsector is unfortunate.
- While the logic from Commission to exclude Fintech from the scope is understandable, the department feels that there is a lost opportunity to deal with the entire sector collectively and decisively.
- Notwithstanding the time limits (18 months to finish the inquiry), we are hopeful that establishing the Fintech intergovernmental comprising of the investigation, National Treasury and Reserve Bank will resolve some of the competition issues that this enquiry was hoping to fix. To this end, the department suggests that this inquiry might absorb some of the solutions into the inquiries in the proposed recommendations.



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Digital value chain analysis that might increase the participation of SMEs in the Sector.

Digital Platform Value Chain for SMEs

- The Statement's assertion that the digital platforms may create opportunities for SME participation is noted. However, the department is equally worried about the possible systematic exclusion of some SMEs in the key-value chains in the industry.
- The inquiry should look into the possible competitive policy measures to protect SMEs in digital platforms value chains.

SMEs protection

With digital platforms only interested in the product regardless of the origin, these platforms are unlikely to consider development inputs of products facing SMEs. To this end, these platforms put products produced locally to those from the international level at the same competitive levels without incentivising the local producer to have competitive pricing advantages. Furthermore, no obligation is considered by the platform owners to influence the customer to consider buying locally produced products.



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Lack of accountability in the abuse of the system of digital platform owners

The digital platform's lack of accountability and responsiveness to unforeseen public interest matters or socio-economic ills is problematic.

SMEs protection

- To illustrate the point, the recent refusal of Uber to deal with labour relations issues, industrial protest from business users and abuse to customers by the business partners is such example. The Statement does not indicate if it is going to deal with this problem.
- The second example of the lack of accountability by the digital platform owners in the food delivery sectors. A Larger majority of scooter drivers contracted by Mr Foods, Uber eats, and restaurants that offer food delivery are foreign Nationals. The inquiry needs to investigate whether this phenomenon is created by hiring requirements or by accident.



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Lack of accountability in the abuse of the system of digital platform owners. (Cont.)

- Other Issue to Note
 - a) Digital Platforms, because they are virtual, are not linked to any government's development. They see themselves as providing service to Businesses but service-linked or accountable to the end-user consumer.
 - b) Digital platform owners are reluctant to share the risk of product placement for informal traders and, in general, the informal economy.
 - c) The department is of the view that the statement and inquiry need to investigate the possible
 - i) Lack of support for the more informal trader to the online platform
 - ii) High cost of connectivity not subsidised in regulations



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Comments on the specific categories

Platform for Travel and Accommodation sector:

- The inquiry represents an opportunity for the government, through the Department of Tourism, supported by the dtic and Department Small Business Development, to make further inroads in promoting SMEs' participation in the travel tourism sector. The department is happy with the analysis of SME participation in the industry.
- The investigation could allow Government to engage the sector (with digital platforms owners in particular) to incentivise HDIs products, especially in township markets, to dispel 'market perception' around safety and security in townships. This could be aligned with the government campaigns like a shot left and any other local tourism products.



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Comments on the specific categories

Digital platforms provide opportunities for new routes to markets for SMMEs products.

- Regarding the platforms where the platform owners also manage warehousing and logistics of products, this sector can create opportunities to include township warehousing and logistic promotion.
- To this end, the inquiry might provide an opportunity for this category of platform owners to use warehousing space in the township to reduce the cost of logistics (delivery to township consumers from a warehouse located in the township).
- The use of warehousing by platform owners can also create added costs for small/township based manufacturers who might be required to deliver the product to SMEs in a particular warehouse at their own expense.



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5. Barriers to Entry.

Digital platforms provide opportunities for new routes to markets for SMMEs products.

- The digital platforms sector has a minimal opportunity for the new market player to enter the market. Costs related to connectivity, platform subscription and intellectual property are just too high for SMEs.
- The department feels that the Statement of the inquiry has dealt with this sufficiently. However, the department hopes that more investigation will offer more direction on dealing with the inherent capital cost and technical requirements that discourage new participants in the sector, especially the historically disadvantaged communities.



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THANK YOU



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