

REPORT OF
THE SPECIAL TASK FORCE
ON PRICE CONTROL
(MARCH-APRIL 1973)

1. INTRODUCTION:

The Task Force comprised the following:

1. Mr. G. A. Cheyo - (Chairman) Mincom
2. Mr. F. Ismail - Indcentre, Mincom
3. Mr. L. T. Kalunga - Attorney-General's Chambers
4. Mr. J. Nyanwihula - The Treasury
5. Mr. R. Hoffneir - Devplan
6. Mr. R. O. S. Mollé - Devplan
7. Mr. P. Nyaluburi - STC
8. Mr. J.F.K. Mongi - Bank of Tanzania
9. Mr. L. R. McGinnis - Conworks
10. Mr. Olekanbaine - Conworks
11. Mr. O.S. Mndene - NDC

Advisors:

- Mr. J.K. Chande - Kico Limited
Dr. R. E. Green - The Treasury

1.1 As a first step, the Task Force compiled a list of about 400 processed items. The items were selected from the Dar es Salaam Minimum Wage Earners' and Middle Income Cost of Living Indices, the Household Budget Survey (1969) and the List of Essential Items. The list of items so compiled was then grouped into five broad categories; namely, Textiles and Clothing, Household Articles, Food and Beverages, Building and Construction Materials and Farm Implements, and Sundry Articles.

1.2 The next step was to examine the price structure of the 400 items and to propose reasonable maximum wholesale and retail prices first for Dar es Salaam. For the purpose of computing these prices, the Task Force was divided into five subcommittees, one for each group of

Mincom - 2
Devplan - 2
Comcentre - 2
Treasury - 1 (+1)
AGS - 1
BoFT - 1
STC - 1
NDC - 1
"Data" - X (+1)
11 (+2)

items. The subcommittees then proceeded to calculate maximum wholesale and retail prices for Dar es Salaam. The procedure followed in calculating the maximum prices was to add either to the c.i.f. value of imported goods or the ex-factory prices of locally-manufactured goods other relevant cost elements e.g. taxes, transport and handling expenses and distributor's margin. Details of how the calculations were made are shown in work-sheets which are appended to this report.

1.3 Since the STC and Natex already operate transport equalization schemes for products handled by them, there was no need to adjust prices calculated for Dar es Salaam to allow for transportation costs in order to arrive at prices for regional centres. For items not under such a scheme, adjustment was necessary. A sixth subcommittee (on transportation) was responsible for incorporating transportation costs for those other items.

1.4 It was in this way that the Task Force was able to compute maximum wholesale and retail prices both for Dar es Salaam and the regional centres. The Task Force has one reservation to make. Because of the multiplicity and diversity in the types of most items ~~in Group II~~, i.e., Household Articles, it would be imprudent to gazette absolute prices. The Task Force recommends instead the gazetting of distributors' margins, in percentage terms, leaving it to regional authorities, if they so desire, to compute the exact prices. It will be noted, however, that prices have been calculated for Dar es Salaam. These could be used as a basis for computing prices for regional centres.

1.5 It will be noted also that the list does exceed the #00 limit. This is because the Task Force found it expedient to include as many brands and sizes of items selected so as to discourage manipulation of prices by traders.

1.6 Also included in the list are items like butter, whisky, etc. which at first glance appear to be "absurdities". The Task Force was of the opinion that there is a need to control the prices of these items.

2. PROBLEMS:

2.1 There were a number of problems encountered by the Task Force in the course of this exercise. The most outstanding were the uncertainty in the foreign currencies' front, inconsistencies in STC margins, and the existence of prices fixed by regional authorities.

2.2 Fluidity in world exchange markets has posed a special problem: at the time the subcommittees were computing the prices, importers were busy reviewing their prices in anticipation of probable changes in supplier prices. It will most probably be necessary, therefore, to take into account the effects of new exchange rates when a new list of controlled prices is issued in July 1973.

2.3 Because of the time limit imposed on it, the Task Force found it difficult to study STC margins without examining the financial projections both of the STC and the proposed regional trading companies. There is need in future for Lincom to study these. Also, the Task Force had to rely on single-source information. It was not possible to cross check such data with other sources.

2.4 The Task Force also found that its computed prices differ from those fixed by regional authorities. If the maximum prices recommended by the Task Force are accepted, then these will have to overrule controlled prices now in force.

3. RECOMMENDATIONS:

The following are recommendations of the Task Force:

3.1 That importing companies be required to issue price lists once only for every quarter with the exception of emergencies, e.g. devaluation, new taxation measures. This will mean that these institutions should not be allowed to revise their price lists adhoc. In addition, revised price lists must be cleared with the Price Controller.

3.2 That a schedule for annual revision of prices for locally-manufactured goods should be devised by the Price Controller. Revision of prices for local manufactures inside a year should be allowed in emergencies only.

3.3 That all retailers must be required to display, conspicuously, gazetted prices in their shops and must also put price tags.

3.4 Attention must be given as to whether certain items disappear from retail shops. In the event this occurs margins allowed to importers and distributors should be checked.

3.5 To be operational, the list of price controlled items will need to be reviewed regularly, probably quarterly. To do this will require a staff that can expeditiously deal with applications for price revision. It is recommended that Lincon re-activate the National Price Control Advisory Board which should provide expert advise to the Price Controller.

3.6 It is recommended that once gazetted, the list of price-controlled items must be given adequate publicity in the National Press. It is further recommended that copies of the price list with special forms and instructions on how to deal with complaints

on violations on price control should be distributed to Mincom and Treasury regional offices, offices of Regional and Area Commissioners, Police Stations/Posts, Tanu offices (including cell leaders). A proforma for this purpose has already been designed and it is appended to this report.

3. 7 Finally, the Task Force would like to sound a cautionary note, that unless shortages are minimised and the distribution system is efficient, price control cannot serve fully the purpose for which it is intended.
