

## **Case Work on Horizontal Restraints**

Malawi National Training Workshop

On Competition Issues

Truck operators of region A have a membership of 1,500. They load and unload goods from all over the country to which A is a geographical region and ply across various national destinations. The advantages of being a member of group are many. The members are assured of a regular fixed quota of business besides they are protected by the internal regulations of the management committee of the operators for some fringe benefits. One of the internal regulations stipulates that members of the associations shall charge the rate of fully-loaded freight even if the goods do not fill up the loadable space of the truck. The reason for this condition was that each and every member of the association had to pay a fixed commission to the management committee for fully-loaded truck even if the load is partially filled. Initially, the system worked but subsequently the customers raised serious objections to the arrangement and some influential customers with separate

understanding with the truck owner and/or operator paid less freight amount and taken the responsibility of sharing the burden of the commission that the operator paid to the management committee. Another benefit that was available to the member was that non-members were not permitted to load and unload their goods in the entire region A. Thus, non-members of other region had to load and unload goods beyond the geographical boundaries of the region A and the customers thereafter had to engage the members of the association to reach the goods up to their respective destinations and vice versa at additional costs. Gradually the practice became a national and the entire country was divided into several regions i.e., B, C, D and E. In the process the customers were hard pressed for additional cost every time they transport their goods between regions. The scenario rapidly changed with the introduction of economic liberalization by the national government in all walks of trade and commerce. It brought about increase in volume of trade but at the same time strengthened the powers of big and bulk buyers of goods. The transporters, especially truck operators, started entering into separate business agreements with big and bulk buyers in addition to their existing arrangements with their own members. In the process

some members benefited at the cost of some others. The market became fragmented for multiple reasons. Plight of the end consumers became most affected as they became the least beneficial to the truck operators. Truck operators of all regions had a tacit understanding not to interfere between and among others regions.

Issues:

1. What are the kinds of agreements we are describing in aforementioned text?
2. How many are they and what are the types?
3. Do you think some or all the agreements are harmful?
4. Are there any anti-competitive agreement?
5. If yes, how should one proceed with the matter?
6. Elucidate effective remedies, if any.