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AND SOUTHERN AFRICA (COMESA)**

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**COMESA REGULATIONS CONCERNING THE
TREATMENT OF TEMPORARY PRICE REDUCTIONS
IN THE HARMONISED CONSUMER PRICE INDICES
(HPCI)**

**THE COUNCIL OF MINISTERS OF THE COMMON
MARKET OF EASTERN AND SOUTHERN AFRICA
(COMESA),**

Having regard to Article 140 of the Treaty establishing COMESA through which Member States made an undertaking to cooperate in the field of statistics in order to create an enabling environment for up-to-date reliable, harmonized and comparable statistical data on various sectors of economic activity, through the harmonization and adoption of common methodologies concepts and definitions to be used in collecting and compiling statistics;

Having regard to COMESA Regulations No [xx] of [date] concerning the establishment of harmonized consumer price indices (HCPIs) in Member States;

Having regard to existing COMESA Member States legislation on statistics and the confidentiality clauses therein;

HEREBY ADOPTS THESE REGULATIONS:

**Article 1
Citation**

These Regulations shall be cited as the COMESA Regulations concerning the Treatment of Temporary Price Reductions in the Harmonized Consumer Price Indices (HCPI).

**Article 2
Definitions**

In these Regulations, unless the context otherwise requires:

“Bulk purchase” means a purchase in which a purchaser buys a large quantity of a product in order to obtain a reduced unit price;

“COICOP” means the international Classification of Individual Consumption according to Purpose

“Discount card” means a slip of paper or similar item, which, when presented at an outlet, gives the purchaser the right to purchase a product at a reduced price and can be used on more than a single occasion, subject to a final date of validity;

“Discount” means a deduction from the advertised price of a product that is available to specific customers under specific conditions;

“Discounted price” means a price which is reduced from its normal price in a sale or for some other reason;

“End of range price” means the price of a product which has been discontinued or is in the process of being replaced by a newer version;

“Expiry date” means a date shown on a product which indicates the date up to which the product keeps its best

features or that it should be consumed no later than the date shown.;

“Harmonised Consumer Price Indices (HCPI)” means the comparable consumer price indices compiled by each Member State;

“Inducement” means a type of temporary offer made to consumers to persuade them to purchase a particular product;

“Loyalty card” means a card, normally containing a microchip, by which a retailer can record the value of a customer’s purchase so as to accumulate credit points for later redemption;

“Member States” means COMESA Member States;

“Money-off coupon” means a slip of paper or similar item, which, when presented at an outlet, gives the purchaser the right to purchase a product at a reduced price;

“Non-discriminatory” means a price which is available to all potential consumers with no special conditions attached;

“Rebate” means return of a part of the value of a purchase made by a customer;

“Refund” means the return of money to a customer, normally if the product is faulty or otherwise unsatisfactory thereby cancelling the purchase;

“Sale” means an event at which goods or services are sold or offered at reduced prices, often held at regular periods in the year;

“Secretariat” means the COMESA Secretariat;

“Shop-soiled goods” means goods which have become damaged, faded or worn out through being displayed in outlets;

“Standard price” means the price of a good or service without any conditions or qualifications, and not described as a special price or similar term;

“Stock-clearing sale” means a sale at which goods are reduced in price in order to allow the retailer to create space for new stock.

Article 3 Objective

The objective of these Regulations is to establish a harmonized approach to the method of treating temporary price reductions and discounts of goods and services in the HCPI.

Article 4 General principles

Member States shall take into account price reductions in determining purchaser prices to be used in the HCPI, provided that such reductions:

- (a) can be attributed to the purchase of an individual product;
- (b) are non-discriminatory;
- (c) are known to purchasers at the time when they enter into the agreement with the supplier to purchase the product concerned; and
- (d) can be claimed either at the time of purchase or within such period following the actual purchase that the reduction might be expected to have a significant influence on the quantities purchasers are willing to purchase.

Article 5 Inducements

Member States shall deduct the market value of an inducement from the price of the product, where it is known and is significant, relative to the value of the product being purchased.

Article 6 Specification changes

Member States shall treat the price of an item in accordance with Article 12 of Regulations on Weights, Product Sample and Item Substitution, where the

specification of a product changes as part of a temporary offer.

Article 7 Types of price reduction

Member States shall treat the HCPI in accordance with the methods set out in the Annex.

Article 8 Applicable Standards

Member States shall apply the standards referred to in Articles 5 to 7 to the procedures used for establishing the HCPI.

Article 9 Quality Control

Member States shall provide information sufficient to evaluate compliance with these Regulations.

Article 10 Amendments

1. Any proposals for the amendment of these Regulations shall be submitted to the Secretary General in writing who shall, within 30 days of its receipt, communicate it to the Member States.
2. The Member States which wish to comment on the proposals shall do so within 90 days from the date of the dispatch of the proposals by the Secretary General.

3. After the expiration of the period prescribed under paragraph 2, the Secretary General shall submit the proposals and any comments thereon received from the Member States to Council through the Committee on Legal Affairs.
4. Any amendment to these Regulations shall be adopted by Council and shall enter into force upon publication in the Official Gazette of the Common Market.

Article 11
Entry into force

These Regulations shall enter into force on the date of publication in the Official Gazette of the Common Market.

Done and adopted at the Thirty First Meeting of the COMESA Council of Ministers held at Kampala, Uganda on 20 November 2012.

[signature]
Chairperson
COMESA Council of Ministers

**TREATMENT OF SPECIFIC TYPES OF PRICE
REDUCTION:**

The aim of the Annex below, referred to in Article 7 of these Regulations is to specify the treatment in the HCPI of the various types of discounts and inducements relating to the prices of goods and services. The examples given in this Annex are not necessarily comprehensive, but they should enable national statistical offices to use the examples as a guide to particular types of price reduction which are not mentioned. Specific examples are given as an aid to comprehension.

The list is organised into two broad groups. Group A describes situations where the price reduction should be included in the HCPI. In other words, the reduced price, not the original price, is the one that should be collected and used in the HCPI calculations. Note that a necessary condition for inclusion is that the reduction should be non-discriminatory, i.e. applicable to all households, and must be applied to individual products (e.g. accumulated points which can be used as a credit against the purchase of a range of products cannot be treated as applying to an individual product).

Group B comprises those situations, in which the reduced prices should not normally be collected, that is, the price before the reduction should be collected.

GROUP A

PRICE REDUCTIONS NORMALLY INCLUDED IN THE HCPI

Number	Type of price reduction	Description	Exceptions	Notes
A1	Seasonal sales	In some countries, it is a widespread practice for shops to reduce their prices at certain times of the year, such as New Year and during a summer period.	Goods which have deteriorated in quality (e.g. shop - soiled), or, for food items, stale or close to the "sell-by" date. Their specifications are inconsistent with those of the representative items normally covered by the HCPI survey (See B1 regarding stock-clearing sales).	Seasonal sales do not necessarily cover all the stock in the shop, but just some selected ranges.
A2	Inducements in the form of extra quantities	This term applies to the type of offer which is made particularly by supermarkets. Examples are "Buy two and the second item is half price" or "Buy one and get one free". There are different versions of this general type of inducement. For example, it may be that two items are packaged together, and cannot be purchased separately as usual, or when the "free" item is separately available and thus does not need to be accepted by the customer.	If the offer has a low value relative to the price of the item concerned, it should be excluded from the HCPI.	In these types of offer, the "free" good is exactly the same as the good being purchased. See B2 for inducements in the form of "free gifts".
Number	Type of price reduction	Description	Exceptions	Notes
A3	Other temporary price reductions	Ad hoc sales may be held at any time in the year, regardless of the season. Shops may display signs announcing, say, "all stock reduced by up to 50%". Shoppers may not know for how long such reductions will apply – and the retailers themselves may not know, as it may depend on the degree of success of the sale.	As for seasonal sales (A1).	As for seasonal sales (A1).
A4	General rebates	A common type of general rebate is the returnable deposit on glass bottles. Anybody who buys a bottle must pay a deposit, and only if the bottle is returned to a particular place will the deposit be returned.	None.	The HCPI should record the net price <u>excluding the deposit</u> .

		Note that the definition of a “rebate” (Article 2) is a refund of a part of the value of a purchase made by a customer, equivalent to a postponed discount. The customer may regard it less as a refund of part of the original price, but the return of a deposit made at the time of purchase.		
A5	Bulk purchases	Some outlets give discounts when certain goods are bought in large quantities. Sometimes the goods are packaged together in bulk, and sold at a lower unit price than if sold singly (Example: multipacks of toilet paper). Another type is when a discount is applied to a group of purchases if a minimum value or quantity is purchased together. (Example: 10% reduction if 6 bottles of wine are bought at the same time).	If the discount is of the second type, it would be impractical to include the discount in the HCPI.	If the discounts are regular and sold in multipacks, they should be treated as separately specified items, and priced as such.

GROUP B PRICE REDUCTIONS NORMALLY EXCLUDED FROM THE HCPI

Number	Type of price reduction	Description	Reason for exclusion from the HCPI	Exceptions	Notes
B1	Stock-clearing (“clearance”) sales	When shops accumulate stocks of goods which need to be reduced (for reasons of economy or of storage space, or, in the case of clothing, to make way for new fashions, for example), they may offer items at reduced rates for a certain period of time.	The products on sale are often old stock, which have deteriorated in quality (e.g. shop-soiled or close to the “sell-by” date). Such products would not meet the normal specifications for price collection.	If the sale items are in fact of normal quality, and they meet the specifications of the representative items, they should be included in the HCPI at the reduced price.	Such sales may be part of a more general seasonal sale or they may be separate.
B2	Inducements in the form of “free gifts”	This has some similarity to the “extra quantities” situation (A2). But in this case the item offered free or at a reduced price is different from the item to which the offer relates. For example, a customer buying a camera may be offered a case for the camera, either free or at a reduced price.	If the value of the “free gift” is relatively small in comparison with the item purchased, it is unlikely that it will have a significant effect on the quantities purchased.	If the value of the “free gift” is relatively large in comparison with the item purchased, it may have a significant effect on the quantities purchased, and should therefore be included in the HCPI	In these types of offer, the “free gift” is different from the item being purchased.
B3	Incentives for future purchases	This type of scheme may involve the use of vouchers. For example, a customer buys three tickets for an event (say, a sports or cultural event) and is given a voucher enabling him or her to obtain a free or reduced price ticket at the same venue during a limited future period.	Mainly practical: the value of the incentive may not be known until the time when it is “spent”. It is also discriminatory, as conditions apply.	As for “free gifts” (B2) – provided the value of the “gift” can be estimated with reasonable accuracy.	This is similar in principle to the “inducements in the form of free gifts”. The difference is that the gift is not supplied with the purchase, and may only be obtained under certain

Number	Type of price reduction	Description	Reason for exclusion from the HCPI	Exceptions	Notes
B4	Discounts for particular groups of customers	Discounted prices for certain products (especially services) may be available to pensioners, or to people below or above a certain age, e.g. discounts on public transport. Organised groups of people, such as trade union members, may have access to discounts with specified retailers.	Discriminatory; and sometimes not applied to individual products.	None – but see Notes.	conditions at a later date. If the total expenditure on a certain type of discount of this type is considered to be significant, it may be included in the HCPI by treating it as a separate item, e.g. the cost of a certain rail journey for a pensioner. This may form part of a tariff price (see [Regulations on tariffs]).
B5	Loyalty rebates	Loyalty (sometimes known as “fidelity”) schemes exist to encourage customers to return regularly to a certain shop, or chain of shops. These may involve regular customers being given special discounts, or it may be that regular customers can build up a credit (often using a special card) which can later be used instead of cash when a purchase is made. At the customer’s request, the points can be used to pay for all or part of a normal shopping basket.	Discriminatory, and usually not applicable to individual products.	None.	Airline schemes which allow travellers to accumulate points (e.g. “air miles”) enabling them to obtain free or reduced price air tickets fall within this category, and should be excluded from the HCPI. Similar types of scheme exist for

					regular users of certain chains of hotels.
B6	Discount cards.	These are sometimes available for purchases of a particular type or with a particular group of retailers. They are different from loyalty rebates as they must first be purchased by the consumer. An example is a card which, when purchased, may be used to gain access (free, or at a reduced price) to business lounges in airports.	Discriminatory.	None.	
Number	Type of price reduction	Description	Reason for exclusion from the HCPI	Exceptions	Notes
B7	Discount coupons	Coupons may be cut out from newspapers or magazines, which, after purchase, are used to obtain discounts. The coupons may relate to a single product or more than one, and may be redeemable at one or more stores or chains of stores.	Discriminatory. They apply only to consumers who have seen the coupons in a certain newspaper etc. and require special action by the consumer. They may also not relate to individual products.	None.	
B8	Discount codes from websites	For internet shoppers “discount codes” can be found on certain websites, which allow purchasers to obtain discounted prices on particular products from particular internet outlets. The discount codes are free and can sometimes give substantial discounts.	Discriminatory. They apply only to consumers who have seen the relevant websites and taken special action.	None.	Internet purchases are in any case currently excluded from the HCPI.
B9	Credit provided free or at a	This is a form of incentive used to encourage customers to purchase high-value items such as cars or durables. A	Interest payments are outside the scope of the HCPI, and finance	None.	Finance charges are in any case currently excluded

	reduced rate of interest	loan is given to the customer on favourable credit terms compared with the normal market. The price payable for the item may be higher in such cases.	charges are dealt with under a different part of COICOP from durable goods.		from the HCPI.
B10	Trade-in discounts	This concerns situations when a discount is obtainable if the customer offers a used item of a certain type at the point of sale. The most popular example is motor cars: a new car may be bought at a reduced price if the customer offers his or her old car in part-exchange. The retailer of a durable such as a refrigerator may dispose of the customer's old model, provided certain conditions are met, e.g. the new model must cost more than a certain minimum amount.	For the motor cars, the procedures incl. in the [Regulations on seasonal products and second-hand goods] ensure the correct treatment. No additional adjustments need to be made under these Regulations. In the case of other durables, the discount is discriminatory.	None.	