



The Egyptian Competition Authority (ECA) takes action against textbook cartel

At the beginning of the current academic year the Egyptian Competition Authority (ECA) initiated investigations into the education sector. This sector is of particular interest to the ECA as the education directly affecting vulnerable consumers—namely families and children. Consequently, the Egyptian government deems the education sector a sector of vital public interest. Through its investigation the ECA discovered agreements between textbook providers that violated the Egyptian Competition Law, Law 3/2005 through agreements that aimed to artificially increase prices for textbooks in Egypt and divide the Egyptian textbook market by customers.

In their decision of 25 February 2023 the ECA found that the representative offices of two foreign publishing houses in close cooperation with their authorized distributors had concluded horizontal agreements that aimed to artificially increase the price of educational textbooks in Egypt. These agreements priced textbooks purchased from abroad at an inflated exchange rate for Egyptian Pound. The agreed upon exchange rate exceeded the official exchange rate of the Egyptian Central Bank by 80 percent. Through applying this inflated exchange rate, the parties increased the price of textbooks in Egypt, which negatively impacted consumer and families in particular. The ECA argued that the inflated price did not only put financial burdens on consumers but also limited their choice of textbooks. This in the opinion of the ECA constituted a violation of article 6(a) Egyptian Competition Law, which prohibits horizontal agreements that aim to fix or otherwise modify the price for goods.

In addition, the ECA found that the parties through their agreements divided the market for textbooks based on clients; namely schools. The agreements included provisions that assigned certain schools to specific distributors. Hence, the agreements limited inter-distributor competition, which resulted in a lack of competitive pricing for textbooks. This in turn increase cost for procurement of textbooks by schools and limited their choice of textbooks. Consequently, the ECA found that these arrangements constitute a violation of article 6(b) Egyptian Competition Law, which prohibits division or allocation of product markets among competitors.

To date it remains unclear what sanctions will be imposed on the violating parties. Sanctions will be determined by the competent courts upon request of the ECA. Still, the ECA stressed the importance of the education sector as well as the gravity of the violations as they negatively impacted vulnerable consumers such as families and children. Hence, we expect that the sanctions imposed in this case will be substantial. Fines are limited to EGP 10 million (approx. USD 4 million).

The ECA's actions go in line with a broader strategy of the Egyptian government. The Egyptian Cabinet aims to tighten market control and combat violations of competition and consumer protection regulations in a variety of markets to prevent malicious actions by undertakings aiming to exploit the current economic crisis affecting Egypt and the world at large.



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