

# **Competition versus Co-operation**

## **The Case of SADC's Regional Development Corridors**

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Neoclassical microeconomic theory leads to the structure-conduct-performance (SCP) paradigm, which implies that more competition is better than less competition. However, in some cases voluntary co-operation might lead to greater economic welfare than competition. This possibility is considered with reference to the regional development corridors (RDCs) identified in the Southern African Development Community (SADC).

Inter-corridor competition, that is competition between different RDCs, requires that passengers and transporters must have a choice of corridors between a given origin and ultimate destination and that those corridors must be managed by different entities. If one corridor becomes less effective or efficient, users will switch to another corridor, forcing those in charge of the former to revamp their corridor.

In the absence of inter-corridor competition, intra-corridor competition of the right kind may go some way in promoting effectiveness and efficiency. Such competition requires intermodal competition along every section of the corridor, for example, between road and rail transport. Once again, each mode must be managed by different entities. However, intra-corridor competition between successive sections of the corridor is unlikely to achieve effectiveness or efficiency. Co-operation from end to end is needed to ensure that the corridor functions properly. This is obvious when transshipment from one transport mode to another is required. For example, where a railway ends, transshipment to lorries or waterborne vessels might be required. Smooth transshipment requires precise co-operation between the railway authority and the owners or operators of the next transport mode. The two parties should for instance use the same specifications for containers and they should agree on and adhere to transshipment times. They are customers of one another, not competitors. It is less obvious, however, that co-operation between transport firms of the same type, e.g. railway companies, that provide successive services along a corridor, is also likely to bring about higher economic welfare than competition between them. From the point of view of the SCP paradigm, this result is unexpected.