



Annual Report

2019



Competition Commission of Pakistan
Creating a level playing field



The Competition Commission of Pakistan strives to foster a robust economy and to help promote economic growth by encouraging and enforcing free competition in all spheres of commercial and economic activity. The Commission wishes to enhance economic efficiency and protect consumers from anti-competitive behaviour.

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DESCRIPTION

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Chairperson's Message



I am pleased to present the Annual Report for the financial year 2019. The Report contains the Commission's actions and initiatives in enforcement, mergers & acquisitions, research, policy and advocacy during the year.

The Commission is committed to ensuring free competition in all sectors of the economy and creating a level playing field for all. This approach is reflected in our enforcement actions, policy initiatives and outreach efforts. In enforcing the law, our aim is to ensure that we are addressing evolving market trends and creating effective deterrence. During the year, the Commission concluded various enquiries in important sectors, i.e. oil, media, telecom, and aviation, against anti-competitive activities and prohibited agreements. A substantial enforcement work was also done in the area of deceptive marketing practices where several companies were fined for being untruthful to consumers in marketing their products and violating Section 10 of the Act.

The Commission understands that enforcement is not the only way and not always the most effective tool to encourage greater competition. It is well-recognized that advocacy complements competition law enforcement and helps build a culture of competition that works against the presence of anti-competitive practices in both businesses and government. Hence, under its mandate to review the policy frameworks, the Commission issued two Policy Notes and two Opinions offering important recommendations to the government in important sectors i.e. aviation, automobile, and real estate. Although non-binding

in nature, our Policy Notes and Opinions, which are reason and research based, help government correct and avoid pursuing policies that may result in market distortion.

In the area of Mergers and Acquisitions, the Commission reviewed and approved 55 acquisitions and 5 joint ventures after doing thorough analysis of the merger applications.

The Commission also conducts competition impact assessment studies in different sectors of the economy. The aim of these studies is to assess the competition levels, identify competition issues, and recommend steps to address these gaps. During the year, the Commission completed Competition Impact Assessment Studies of Tea, Wheat Flour, and LNG sectors offering important recommendations to promote competition and increase consumer welfare in these sectors.

On international front, it was a huge honour for the Commission to have been chosen to chair the high profile 17th session of the Intergovernmental Group of Experts on Competition Law and Policy held by the United Nations Conference on Trade and Development (UNCTAD) on 11-13 July in Geneva (Switzerland). The details of this event have been given in the chapters covering international activities.

In the end, I wish to convey my most sincere gratitude to all those who have served the Commission in any capacity as the contributions of each and every team member matters. Our commitment to protect consumers and promote competition is unwavering, and despite challenges, we will continue our work to protect Pakistani consumers from anti-competitive behaviour.

01 Commission Structure



MS. VADIYYA KHALIL

CHAIRPERSON

Ms. Khalil was appointed Chairperson of Competition Commission of Pakistan in December 2014. She has previously served as the Commission's Member for Mergers & Acquisitions and Advocacy from 2010-2013.

Her career is notable for her leadership and strategic decision-making roles in various financial sector organisations that have successfully implemented numerous projects by major economic actors in Pakistan. Her time in the financial sector exceeds two decades in corporate and commercial banking. It spans both international and national banks, including Credit Agricole, ANZ Grindlays, MCB Bank Limited, Askari

Commercial Bank, and the National Bank of Pakistan.

Ms. Khalil has a Master's Degree in Management Sciences from the University of Kent, the UK specialising in Corporate Strategy, Operations Research, Techniques of Management, Marketing, Global Modelling, and Accounting. She has studied the Italian Language and Literature at the University of Perugia, Italy and holds a Diploma in French from Alliance Française, Paris. Her professional executive education has focused on Leadership, Corporate Finance and Mergers and Acquisitions.



DR. SHAHZAD ANSAR

MEMBER

Dr. Shahzad Ansar was re-appointed as Member on 27 January 2014 and holds the portfolios of Advocacy and the Office of Fair Trade.

Dr. Ansar has a PhD. in Business Administration with a specialisation in Microfinance and a Master's degree in Engineering Geology. He is a Certified SME Manager in the Doctorate category and holds International Advanced Diploma in Human Resource Management. He also has certifications in Intellectual Property Laws, Marketing, and Personal Finance

from Nipomo, California, USA. Dr. Ansar has over 30 years of experience in management, business development and project finance. He has run energy projects and has also worked with the Federal Ministry of Industries & Production as CEO of its sector development company.

Mr. Ansar has a vast teaching experience and has offered services to the Virtual University of Pakistan, the University of Central Punjab, Civil Services Academy, and the University of South Asia, Lahore.



DR. MUHAMMAD SALEEM

MEMBER

Dr. Muhammad Saleem was appointed as Member on 4 December 2017. He is overseeing the Competition Policy & Research (CP&R), and Human Resource departments.

Dr. Saleem has MSc in Economics from Quaid-e-Azam University, Islamabad and Second Master's degree in Economics and a PhD in Economics from the Kansas State University USA. He has over 33 years of experience with regulators, ministries and international organizations. He has served as Director General Finance and Commercial Affairs in the Pakistan Telecommunication Authority (PTA) and also worked with the Ministries of Planning & Development, and Commerce. He played an instrumental

role in establishing the Telecom Regulatory Authority (TRA) of Sultanate of Oman as Economic/Regulatory Advisor for the Government of Oman.

Dr. Saleem has significantly contributed in formulating the Telecom Policy for the Government of Pakistan, preparing the Vision 2025 document, and devising the Digital Financial Inclusion Strategy. He has published several reports and research papers including a Report on Institutional Design of Regulatory Bodies: Diagnostic and Reform Directions, (Convener of Working Group, Ministry of Finance) and written a book on "Fair Trade Practices in Telecommunications Sector".



MS. SHAISTA BANO

MEMBER

She holds a Masters Degree in 'Economics for Competition Law' from Kings College, University of London and a Masters in Business Administration with majors in Finance from Quaid-e-Azam University Islamabad. She is also an Associate Chartered Certified Accountant UK since 2006.

Ms. Shaista started her professional career in 2001 with the Securities & Exchange Commission of Pakistan where she worked for six years, was serving as Deputy Registrar of Companies when she joined CCP in the

year 2007. Since then she has conducted a number of key investigations, searches & inspections and authored various inquiry reports pertaining to a wide range of industry and economic sectors such as telecommunications, electronic media, electricity generation and distribution, LPG, CNG, sugar, cement, stock exchanges, jute mills etc to name a few. These investigations, searches and enquiry reports have led to the busting of some of the most harmful cartels and abusive practices



MS. BUSHRA NAZ MALIK

MEMBER

Bushra Naz Malik is an FCA from Pakistan and CA/CPA from Ontario, Canada. She also did MBA from Joint Program of Kellogg Business School, USA and Schulich Business School, Canada and AMP from Harvard Business School, USA. Additionally she also possesses two graduation degrees one in Law and other in Arts from Pakistan.

She has been providing consultancy services for last 8 years to a number of public and private organizations in Pakistan and abroad. Prior to that she had served in the Private Sector in the capacity of Finance head and worked for business development for 18 years. She is also a certified director from PICG and ICAP and an international speaker. She finished her term as chair of independent oversight committee at ILO, Switzerland

in December last year after serving for six years. She is also a Board Member and Audit Chair of World Agroforestry Centre, Kenya, Centre for International Forestry Research, Indonesia, Pakistan Industrial Development Corporation, Trading Corporation of Pakistan and Ex-Board Member of Fauji Fertilizer Company Limited all based in Pakistan. She is a serving member of oversight committee of UNHCR, Switzerland and had been a Board Member and Audit Chair for CGIAR, France and Lahore Stock Exchange, Pakistan. She served in 2012 as director finance of campaign committee, Tran Nhan Tong Academy, Boston, promoting peace through music and a member of Pakistan steering group for Common Wealth Business Women in the same year as well.

MEMBER

ADVOCACY &
OFFICE OF FAIR TRADE

MEMBER

COMPETITION POLICY & RESEARCH AND
HUMAN RESOURCE

CHAIRPERSON

MEMBER

CARTELS &
TRADE ABUSE

MEMBER

INFORMATION SYSTEM & TECHNOLOGY

02 Ministry of Finance



FINANCE MINISTERS



ASAD UMAR

August 2018 - April 2019

FINANCE MINISTER

Mr. Umar as Chairman House Standing Committee on Finance, Revenue and Economic Affairs from 8 May 2019 till 30 November 2019 and Finance, Revenue, and Economic Affairs Minister of Pakistan from 20 August 2018 to 18 April 2019

Mr. Umar's 27-year career at Engro began in 1985 when the company was still a subsidiary of ExxonMobil, the global oil giant. He joined the company as a business analyst and was working for it abroad in Canada when the famous management buyout of Engro took place in 1991. Mr. Umar came back to Pakistan and in 1997 was appointed the first CEO of Engro Polymer & Chemicals, the group's petrochemical arm. Later, he was elected as the President and CEO of Engro Corporation

in January 2004 after which he transformed the business from a mere chemical company to a giant conglomerate. During his tenure, Engro, for the first time, bought businesses in food and information technology in North America. On 8 March 2009, Mr. Asad Umar received the Marketing Association of Pakistan (MAP) Award of Excellence for 2009, in recognition of his contributions to the field of Marketing & Management and his positive role in Pakistan's economy. He was awarded Sitara-i-Imtiaz, by the Government of Pakistan in 2010 for his public service and engagement in promoting Pakistan's cause through investments & social services. Mr. Umar graduated from IBA Karachi in 1984 from where he received an MBA degree.



ABDUL HAFEEZ SHAIKH

April 2019 - Present

ADVISOR TO THE PRIME MINISTER

Dr. Abdul Hafeez Shaikh is an economist of international repute with over 38 years of experience in economic policymaking, management and implementation. His work experience included:

- Harvard University, Cambridge
- The World Bank, where he was country head for Saudi Arabia and as a Senior Official advised 21 countries in Asia, Africa, Europe and Latin America
- Minister for Finance, Planning and Development, Sindh Province, Pakistan (2000-03)
- Three times elected Member of the Senate of Pakistan (2003, 2010, 2012)
- Federal Minister for Investment and Privatization, Pakistan (2003-06)
- Federal Minister for Finance, Revenue, Economic Affairs, Statistics and Planning & Development

(2010-13)

- General Partner, international investment fund
- Dr. Shaikh was awarded Pakistan's "Man of the Year" in 2004 by the business community in recognition of his contributions to the country. His three years as the Federal Minister for Privatisation & Investment (2003-2006) were the most successful in Pakistan's history. 34 transactions worth over US \$ 5 billion were completed in a transparent fashion. He was a highly regarded member of the Senate of Pakistan and was Chairman of the Senate's Committee on World Trade Organization. He also advised governments in Saudi Arabia, Sri Lanka, Indonesia, Malaysia, Philippines, Thailand, Vietnam, Romania, Czech Republic, Iran, Kuwait, Argentina, Bangladesh, Jordan, Qatar, Malta, Botswana, Tanzania, Ghana and Libya. Dr. Shaikh has a Ph. D in economics.

FINANCE SECRETARIES



ARIF AHMED KHAN

January 2018 - March 2019

FINANCE SECRETARY

Mr. Arif Ahmed Khan assumed charge of the post of Secretary, Finance Division on 10th January, 2018. A career civil servant with 35 years of experience in Public Administration, he has served the federal and provincial governments in various positions. Mr. Khan holds a Master's in Public Policy from Concordia University, Canada.

Before joining Finance Division, he served as Secretary, Economic Affairs Division, Secretary Interior and Secretary, Climate Change.

Mr. Khan has served as Additional Chief Secretary, Planning and Development Department, Government of Sindh. He was Secretary Finance for the Government of Sindh during 2012-13. Prior to that, he

remained Home Secretary to Government of Sindh for three and a half years. He also had the opportunity of serving as Consul General and Trade Commissioner of Pakistan in Montreal, Canada and as Programme Coordinator of International Trade Centre (ITC), Geneva. In between he was Director General for the Export Promotion Bureau (now Trade Development Authority of Pakistan) in 2004 – 2005. In the initial years of service he served as Deputy Commissioner in three districts of Sindh.



MOHAMMAD YOUNUS DAGHA

March 2019 - May 2019

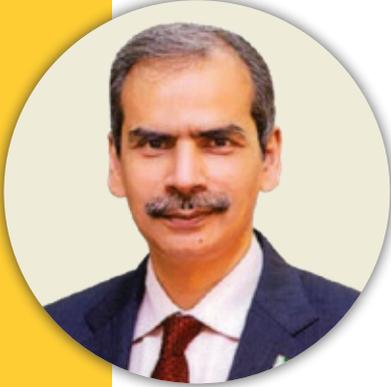
FINANCE SECRETARY

Mr Mohammad Younus Dagha, born on 23 April 1962, is a career Civil Servant, having joined in 1985 with a varied experience in the fields of Energy, Finance and Public Administration. His qualifications as a Masters in Business Administration, Masters in Economics and Bachelor degrees in Laws and Commerce provided him with the required academic background to handle the diverse assignments in his career.

Having completed many challenging field assignments in the Provinces of Sindh and Khyber Pakhtunkhwa, as Administrator at various levels, as Project Director in mega projects and secretariat and staff positions,

Mr Dagha was assigned the challenge of turning the key to the country's unutilised energy treasure in Thar Coalfields. This immense natural resource has a potential of 175 billion tons of lignite coal, which till then had become a monumental failure and a grossly misunderstood phenomenon both at the policy level and amongst the industry players.

Apart from this, Mr. Dagha's tenure in the Finance Ministry as Special Assistant to FM and Additional Secretary (External Finance) provided him insight into the International Financial Institutions' working.



NAVEED KAMRAN BALOCH

May 2019 – Present

FINANCE SECRETARY

Mr. Naveed Kamran Baloch is an officer of Federal Government in BS-22, presently posted as Secretary Finance, Government of Pakistan.

Before the present posting, he was posted as Secretary, Cabinet Division and Chief Secretary, Khyber Pakhtunkhwa. He remained Federal Secretary, Ministry of National Health Services, Regulation & Coordination Government of Pakistan. He also served as Chairman of CCM Pakistan. He also held the position of Chairman, State Life Insurance Corporation of Pakistan, Principal Secretary to Chief Minister (Sindh), Director General, National Institute of Management Karachi, Secretary Finance, Secretary Food, Secretary Information, Government of Sindh, Pakistan, besides serving on leading

administrative and financial positions in Federal, Provincial Governments and Public Sector Enterprises. Mr. Naveed Kamran Baloch joined the Civil Service of Pakistan in 1985. He has vast professional experience in senior management positions in diversified fields such as Public Sector Management, Administration, Financial, Judicial, Health, Insurance and Planning etc.

He has extensively attended local and international professional training courses, workshops, seminars and conferences.

Mr. Naveed Kamran Baloch has attained a degree of M. Sc in Social Policy and Planning in Development countries from London School of Economics, UK. He is also a certified Board Director of the Pakistan Institute of Corporation Governance.

03 The Organizational Structure



i. Office of Secretary to the Commission

The Commission's Secretariat was established under the COMPETITION COMMISSION (CONDUCT OF BUSINESS) REGULATIONS, 2007. It is headed by the Secretary to the Commission and its framework includes procedure and conduct of business of the Commission in accordance with the approved procedures, functions and powers of the Chair, duties and responsibilities of the Secretary, and keeping of the common seal of the Commission.

The Secretary represents the Commission at any forum as authorised by the Commission or Chairperson, issues notices and minutes of the meetings of the Commission, and certifies the decisions or documents used in hearings by the Commission. Other powers and duties can be assigned to the secretariat or the Secretary based on organisational exigencies.

During the year, the Secretariat arranged five meetings of the Commission.

ii. Cartels and Trade Abuses Department

The Cartels and Trade Abuses Department plays a critical role in the enforcement work of the Commission.

Cartels result from the arrangement(s) between firms designed to limit or eliminate competition between them with the objective of increasing their prices, profits and without any countervailing benefits. This is generally done by fixing prices, limiting outputs, sharing markets, allocating customers or territories, bid-rigging in procurement contracts, or a combination of these. Cartels are harmful to consumers and society since the participating companies charge higher prices (and earn higher profits) than in a competitive market without the pressure of improving quality.

A firm is in a dominant position if it has the ability to behave independently of its competitors, customers, suppliers and, ultimately, the final consumer. A dominant firm with such market power would have the ability to sell inferior quality products, setting prices above the competitive level or reduce innovation below the level that would exist in a competitive market. Under Pakistan's competition law, it is not illegal to hold a dominant position since this can be obtained by legitimate means, e.g., by inventing and selling a better product or providing services of incomparable quality. Instead, the Act does not allow companies to abuse their dominance.

iii. Exemptions Department

Consistent with global best practices in competition law, the Act recognises that certain practices or agreements that would otherwise be prohibited may provide an overall benefit to consumers e.g., improving production, distribution, and technological development, which would outweigh the adverse effect of reducing competition in the market. § 5 of the Act allows undertakings to apply for exemptions should the pro-competitive effects of a prohibited practice or agreement be deemed advantageous. Proving efficiencies is always the responsibility of the undertaking requesting the exemption. The Commission may grant such an exemption after thorough analysis and, when necessary, hearing the parties likely to suffer anti-competitive injury from such an exemption.

iv. Office of Fair Trade

The Commission established the Office of Fair Trade (OFT) in 2008 for protecting consumers against deceptive marketing practices mentioned under Section 10 of the Act. The OFT furthers the Commission's objective of creating a business environment based on healthy competition and protecting consumers from anti-competitive practices. The OFT enjoys all powers under the Act to enforce the provisions of Act in the deceptive marketing practices cases.

While the Cartels and Trade Abuses Department addresses distortions that occur on the supply side of the transactions, the OFT addresses distortions that can arise on the demand side.

v. Mergers & Acquisitions Department



In a dynamic economy, the Commission expects the corporate structure to be constantly changing either where two or more previously independent undertakings merge or where a joint venture is created, performing on a lasting basis all the functions of an autonomous economic entity. These are methods by which firms can increase their size and expand into existing or new economic activities, increase economic efficiency, acquire intellectual property, diversify, expand into different geographic markets, pursue financial and R&D synergies, etc.

The objective of merger review and control by the Mergers and Acquisition Department is not to prevent mergers per se but to prevent the creation of dominant positions able to act independently from market forces or reduce the number of players to the extent that facilitates cartelisation.

vi. Advocacy & Media Department

Competition Advocacy is the pursuit of competition policy by means other than law enforcement. Advocacy functions are of central importance to the Commission's work, supporting and being supported by its enforcement responsibilities and developing the interface between itself and various stakeholders. The Commission's advocacy responsibilities, divided between the Advocacy and Media and Competition Policy and Research Departments, include: Conducting studies for promoting competition; Creating awareness about competition issues and creating a competition culture recommending pro-competitive changes to law and policy communicating relevant information to stakeholders; conducting competition-related enquiries, including in response to complaints and references from the Government; preparing an annual report on all its activities for the Government to lay before Parliament and for other stakeholders.

The Advocacy and Media Department oversees the Commission's communication with the media and its publications, a central feature of its outreach. Commission's publications focus on (i) a comprehensive guide for business – as potential offenders and victims - on their rights and duties under the law, including advice on corporate compliance programme and (ii) a consumers' guide to the law and the

rights it confers, and how to pursue them and (iii) training materials for students of business, economics, and law in partnership with key universities.

The Department also manages the Competition Consultative Group meetings, making active use of this in managing its relations with its various stakeholders to help it to mobilise support, and to provide them with an outlet for any complaints they may have.

The Commission's power to hold open public hearings on any matter affecting the state of competition in Pakistan is expressly provided under the law. Such a power has been highly effective in enabling the Commission to involve many conflicting sides of an issue with a view to finding common ground. At the same time, public hearings help focus on the Commission's public policy analysis and generate widespread support for policy changes to strengthen competition in the economy.

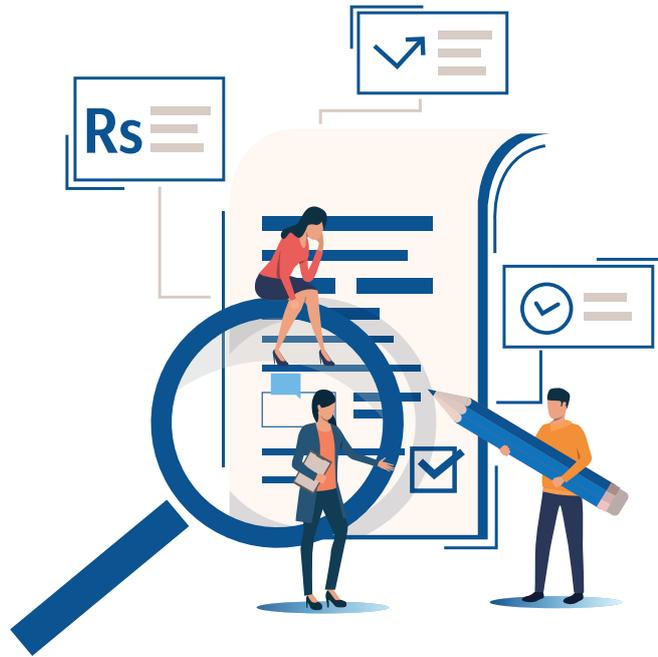


vii. Competition Policy and Research Department

The Competition Policy and Research Department conducts competition assessments and market studies to analyse the state of competition in the economy. The studies aim to identify the markets and competitors, examining the market structure, looking for barriers to entry and exit, signs of anti-competitive conduct considering economic interests and the principal beneficiaries, and identifying government policies or institutions that limit competition.

Competition assessments analyse the strength of competition in the relevant market(s) and identify any factors impeding more effective competition. Key issues are: (i) the structure of the market, (ii) entry and exit barriers and (iii) anti-competitive conduct. Where competition is found to be limited, an estimate of the likely extent of the harm that results from this is made. The assessment concludes with a view on whether there are

competition problems in the sector that require correction, and if so, what the most appropriate remedies are.



viii. Office of International & External Affairs

The Office of International Affairs (OIA) was established as the coordinating focal point to liaise with international agencies and organisations such as UNCTAD, OECD, and the International Competition Network (ICN). The Office is also responsible for exploring bilateral relations with competition agencies and donor agencies for technical assistance. In essence, the Office is the communications focal point for all international activities.

The OIA is currently involved in two ICN working groups, specifically in the working groups on cartels and mergers. It also contributes to the workings of OECD and UNCTAD. The Office also handles the liaison and cooperation relationships with other competition agencies globally, be it on a bilateral or regional basis.

ix. Office of Registrar

The Office of the Registrar issues Show Cause Notices, arranges hearings, and assists the Original and Appellate Benches of the Commission by providing administrative and legal support. The Registrar represents the Commission as its official spokesman in litigation matters before various courts.



x. Legal Department

The Legal Department provides support to the Commission in legal matters. Its main functions include initiating legal proceedings against the defaulting undertakings in pursuance of the policy decisions and Orders of the Commission; engaging legal counsel and keeping a close liaison with them regarding the provision of information required and interface with them in all legal issues; advising the Commission in matters of policy and legal decisions; providing legal advice to undertakings and external agencies as and when called for; drafting the necessary implementing Rules and Regulations; vetting the legal statements to be submitted to the courts and other forums; suggesting suitable amendments in the Act; preparing the guidelines for various topics, and handling any other assignment referred to it by the Chair and the Commission.



xi. Corporate Affairs

The Commission's internal operations and day-to-day functioning come under the aegis of corporate affairs and are supported by the Administration, Accounts, and Human Resources Departments. The Commission has placed significant emphasis on the improvement of the facilities, policies, and procedures.

Each year has witnessed improvements in the areas of operations, staffing and computerised information system.

a. Finance Department

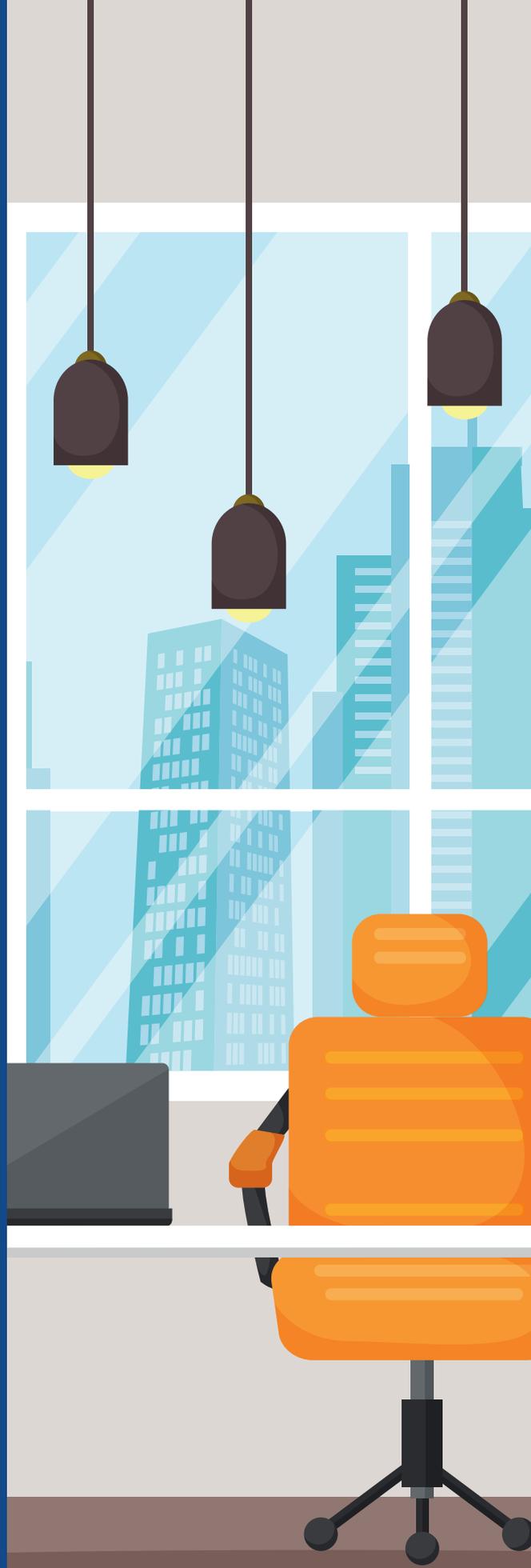
The Accounts Wing is responsible for accounts and internal controls. There is an increasing emphasis on cost control within the Commission due to the limited budget available.

b. Administration Department

The Administration Wing provides administrative and logistical support to the Commission and its employees. Its mandate includes general office management, transport management, assets management, and security and safety.

c. Human Resource Department (HR)

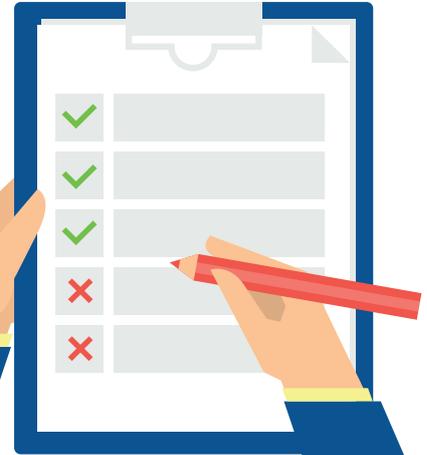
The Human Resources Wing is involved with the planning and assessment of the number of employees and the skills mix needed. It is also accountable for the review, design and drafting of job descriptions for current and prospective vacancies and the recruitment of talent. HR reviews the employees' performance regularly through performance appraisals. To improve officers' and staff's efficiency levels, they must undertake relevant training sessions and development programmes.



xii. Internal Audit

Internal Audit (IA) is an independent appraisal function within the Commission. The IA's work is governed under the Internal Audit Charter, which covers the role to review the adequacy and effectiveness of the Commission's governance, processes, control and risk management in implementing agreed strategies across the organisation. IA aims to add value, improve operational efficiency, economy and effectiveness of management process, risk management, and internal control systems.

IA aims to add value, improve operational efficiency, economy and effectiveness of management process



xiii. Information Systems & Technology Department

Information Systems and Technology (IS&T) manages and supplies all IT-related services to support the Commission's goal of increasing its employees' productivity and efficiency. IT is organised into three programme areas: IT Infrastructure Group, Systems Development Group, and Design/Multimedia Group. This year, IT accomplished the automation of Legal/Court Cases, employees' attendance record register, inventory assets and tracking, and human resource profiles.

The Commission is working on an increased digitalised process management system, spearheaded by the IT Department. A digital forensics laboratory has been set up with essential equipment already in place. The Department can perform some forensic work and upgradation as per emerging technologies.

The Commission is working on an increased digitalised process management system, spearheaded by the IT Department.



04

Stopping

Anti-Competitive Conduct



§ 3 of the Act deals with abuse of dominant position and § 4 prohibits agreements between businesses and actions by trade associations that can distort competition in a market. The Cartels & Trade Abuse Department investigates potential violations of § 3 & 4 of the Act and recommends relevant actions to the Commission.

Oil Companies Advisory Council (OCAC) Stops Anti-Competitive Procurement of Fuel Marking Company

ORDER

The Oil Companies Advisory Council (OCAC) is an association of undertakings and a representative body of the downstream oil industry whose members are undertakings engaged in refining, marketing, and distributing petroleum products. The Commission received a copy of a letter written by Transparency International to the Oil and Gas Regulatory Authority (OGRA) alleging that OCAC had awarded a Fuel Marking Contract for kerosene without any competitive bidding process. The Fuel Marking Program's objective is to curb adulteration in petroleum products, thus enhancing the government's revenues.

The Commission took notice of the matter and started an enquiry. The enquiry examined whether the selection of FMC, procurement methodology adopted, and determination of price can be considered 'decisions' by OCAC, and if so, whether these decisions were a *prima facie*, violation of Section 4 of the Act.

The enquiry observed that the entire bidding process leading to the selection of bidder was managed and controlled by OCAC, contrary to the decision taken in the meeting held on 13 December 2016, which called for taking all Technical Committee members on board throughout the process. Therefore, the selection of the bidder was, *prima facie*, a decision by an association.

Moreover, OCAC decided to adopt a procurement method that did not involve publishing an advertisement even though the decisions taken in the same meeting recommended the Technical Committee to finalize the bidding process and the FMC selection through open advertisement.

The enquiry noted that all of the decisions by OCAC, including the selection of FMC and the procurement methodology adopted, had a direct bearing on the final price of kerosene; therefore, OCAC had taken a decision with regards to the price of kerosene. The decision by OCAC to select the FMC to adopt a procurement method whereby no advertisement was

published and fix the price of kerosene was a, *prima facie*, violation of Section 4 of the Act.

During the hearings, OGRA and other technical committee members stated that they had not been taken on board throughout the procurement process. Whereas, OCAC said that it had immediately stopped the process after the Commission's notice.

After hearing the parties, the Commission passed the Order holding the entire procurement process undertaken by OCAC to procure Fuel Marking Company (FMC) in violation of Section 4 of the Act. The Commission also declared the invitation of Expression of Interest for the Kerosene Marker Programme for Pakistan as illegal. The Commission issued broad guidelines to all the stakeholders i.e. the OCAC, Ministry of Energy (Petroleum Division), OGRA, and Hydrocarbon Development Regulatory Institute of Pakistan (HDIP), to ensure compliance with the provisions of the Act while drafting their future tenders as uncompetitive bidding process can hamper the competition in the relevant market.

Considering the compliance-oriented approach of OCAC, the Commission did not impose any penalty on OCAC.

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The Commission directed the OCAC and all other relevant stakeholders to strictly adhere to the procurement guidelines while drafting future tenders in order to provide a level playing field and not to hamper competition in the relevant market.

- CCP Order



PKR 10 Million Fine on All Pakistan Newspapers Society (APNS) for Section 4 Violation

ORDER

The Evacuee Trust Property Board (ETPB) is a statutory body that manages the evacuee trust properties in Pakistan and places advertisements related to the sale or lease of properties in the newspapers and periodicals published in Pakistan. It sent a complaint that Midas, Press Information Department (PID) and APNS have colluded to block its advertisements in all newspapers and periodicals due to a dispute over recovery payments.

The Commission's enquiry analysed the APNS Rules. It concluded that the clauses in the Rules for accreditation of advertising agency, trade discount, credit terms and handling of government business were, prima facie, restrictive, discriminatory and in contravention of Section 4 of the Act. Clauses 4A (iii) and 7 of APNS Rules (and paragraph 12 of ARCE) envisaged the capping of the Commission, and clause 10 barred negotiating advertising rates.

The Enquiry Report found that paragraph 5 of the APNS MOU (schedule B of APNS Memorandum of Association; "APNS-MOU") barred member publications

from offering lower rates, and paragraph 1 of Special Supplement Rules capped trading discount/commission for supplements. These clauses were violating Section 4(2)(a) read with Section 4(1) of the Act. Clause 9 of APNS Rules relating to the clearing of payment mechanism empowered APNS to operate as a clearinghouse on behalf of its members in contravention of Section 4(2)(a) read with Section 4(1) of the Act. Paragraph 12 of the Advertising Rules and Code of Ethics (ARCE) restricted direct business between clients and the publication. APNS had the powers to penalise and blacklist clients in case of any deviation from the rules discussed above.

According to the Enquiry Report, APNS and its member undertaking vide 2003 Circular attempted to coerce the government clients to purchase more advertising space, which, prima-facie, imposed restrictive trading conditions in contravention of Section 4(2)(a) read with Section 4(1) of the Act. Finally, clause 3(c), 3(e), 4, 7 and 14 of the Rule and Regulations of Media Buying Houses (MBH Rules) relating to accreditation, renewal of registration, restriction on

business, fixing of the Commission of MBHs were also in contravention of Section 4 of the Act.

After hearing the parties and examining the APNS Rules, the Bench passed the order. It observed that a careful perusal of the APNS rules suggests that no company could effectively engage in the business of print media advertisements unless APNS has accepted it. Thus, the association was virtually controlling all aspect of the advertising business in Pakistan.

Accordingly, the Bench was of the considered opinion that the rules, regulations and circulars issued by APNS were arbitrary and discriminatory, resulting in limiting, restricting and preventing the organic evolution of the competitive fabric of the relevant market in contravention of Section 4(2)(a) read with Section 4(1) of the Act. However, given the cooperation and compliance-orient approach of APNS, the Bench imposed a penalty of PKR 10 Million. Furthermore, it warned APNS to refrain from indulging in anti-competitive practices in future.

PKR 1 Million Fine Imposed on NFC Employees Co-operative Housing Society

ORDER

A resident of NFC Employees Corporative Housing Society shared concerns that the society residents were forced to subscribe to the sole cable TV network provider, i.e. 'Malik Cable' or 'MC Network' and were deprived of any alternate choice or competing service providers.

Taking notice of the concerns, the Commission conducted an enquiry and found that the NFC housing society management

had signed an exclusive agreement with 'Malik Cable' or 'MC Network' for providing services in the locality. Under the agreement, no other cable operator was allowed to provide services to Society. The agreement created an entry barrier for other cable operators and denied the residents a free choice, thus violating the Act.

After hearing the parties, the bench passed the Order. The Order, which underscoring the importance of communication and

broadcasting industries in the citizens' lives, stated that the exclusive rights granted to the MC Networks was preventing, restricting and reducing competition by imposing restrictive trading conditions, restricting output as well as technical advancement in terms of innovation efficiencies and investment in violation of Sections 4 of the Act.

During the proceedings, NFC Society submitted its commitments to amend its Agreement with Malik Cables to address the competition concerns. Taking a lenient view, the Commission imposed a penalty of PKR 1 Million on the Society and directed it to refrain from indulging in anti-competitive practices in future.

Proceedings Against PTCL for Abusing its Dominant Position

ORDER

The Commission passed an Order assuming its jurisdiction in the matter of Show Cause Notice issued to Pakistan Telecommunication Company Limited (PTCL) for, prima facie, abusing its dominant position in violation of Section 3 of the Act.

The Commission had issued a Show Cause Notice to PTCL in 2012 after its enquiry on the complaint filed by Micronet Broadband Limited, LinkDotNet Telecom Limited, and Nexlinx Limited. It was brought to the Commission's notice that PTCL had abused its dominant position in the market to provide DSL services through predatory pricing and refusal to deal. In its enquiry, the Commission determined that PTCL being a dominant player in the upstream market for access to copper infrastructure was restricting competition through a margin squeeze, which forced five out of 11 of PTCL's competitors out of the market and discouraged the entry of new players.

Meanwhile, after the enquiry's initiation, the Complainant withdrew the complaint; however, the Commission concluded the enquiry as per law. Upon getting a Show Cause Notice from the Commission, PTCL filed a writ petition in the High Court challenging the Commission's jurisdiction in the matter resulting in suspension of proceedings before the Commission. Later, the Islamabad High Court vide its Order dated 22 November 2017 allowed the Commission to proceed in the matter, but not to pass a final order. The Islamabad High Court vide Order dated 22 January 2018 directed the Commission to decide maintainability in terms of the jurisdictional objections raised by PTCL. The Honorable Court recognised the jurisdiction of the Commission subject to determination of maintainability through an Order.

After hearing the parties, the Commission's

bench passed the Order addressing the questions of its jurisdiction in the matter and the maintainability of the Show Cause Notice.

The Commission held that although Pakistan Telecommunication Authority (Re-organisation) Act, 1996 has a general provision of regulation of competition, which was inserted in 2006, however, no specific provision is available which provides for prohibition of any anti-competitive behaviour or a remedy against an anti-competitive situation. On the other hand, the legislature, in all its wisdom, deliberately entrusted the Commission with the exclusive mandate of regulating anti-competitive conduct and not only provided for prohibitions of anti-competitive conducts under Chapter II of the Act but also provided remedies against such conduct.

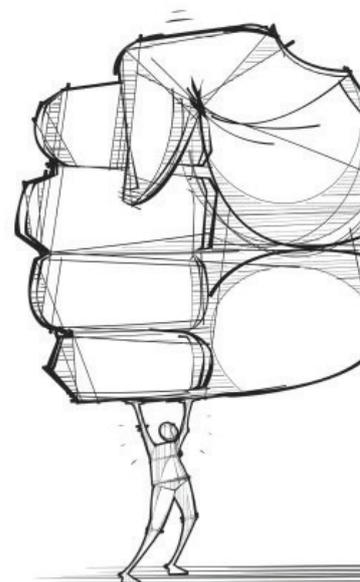
The Commission also observed that public interest matters have an impact on the wider society. It held that 'the compulsions for the judicial innovation of the technique of a public interest action is the constitutional promise of a social and economic transformation to usher-in an egalitarian social order and a welfare-State.' Once the Commission recognised its jurisdiction over a public interest matter, the Complainant was not entitled to halt the proceedings by unilateral withdrawal since the public interest at large is now at stake. It was held that the Complainant might withdraw itself from the proceedings, but the proceedings against PTCL are maintainable and would continue.

The Commission will now proceed in Show Cause Notice issued to PTCL for, prima facie, abuse of dominant position.

“

Once the Commission recognizes its jurisdiction over a public interest matter, the Complainant may not entitled to halt the proceedings by unilateral withdrawal, since the interest of the public at large is at stake.

- CCP Order



Show Cause Notice issued to Wateen Telecom Set Aside

ORDER

The DHA Phase-5 Lahore residents complained against Wateen Telecom for allegedly bundling its 'Analogue Television Service' with the 'Digital Television and Internet Services,' two different products, and forcing them to subscribe to both. They complained that in the absence of any other cable television service provider in the area, Wateen was allegedly abusing its dominant position by tying its different products and exploiting the consumers.

The Commission's enquiry found that WATEEN had, prima facie, abused its dominant position by tying its different products in violation of Section 3 of the Act. The Commission issued a Show Cause Notice to Wateen.

After hearing the parties, the bench passed an Order in which it held that the television broadcasting sector is under a transition from analogue to digital services based on the directions of sector regulator, i.e. Pakistan Electronic Media Regulatory Authority (PEMRA). As per the settled jurisprudence in the EU, since the analogue and digital TV services cannot be sub-segmented into two separate product markets; hence the question of a tie-in of substitutable services within the same relevant market does not arise.

The Order stated that the Enquiry Report erred in establishing the relevant product and geographic market. The relevant market within Phases I to V of DHA was that of "Pay TV services", wherein various players, including PTCL, Worldcall, and Optix, were competing; hence no market was foreclosed and accordingly, no case for abuse of dominance was established. Moreover, the dominance of Wateen due to its 100% market share was untenable due to a mistaken demarcation of the relevant market and lack of information on record to support the same.

The bench set aside and disposed of the Show Cause Notice issued to Wateen for alleged violation of Section 3 of the Act. The decision showed the impartiality and unbiased approach of the Commission's bench.

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Since the Enquiry Report failed to establish the relevant product and geographic market in the instant matter, wherein various players were competing, hence no market was foreclosed and accordingly, no case for abuse of dominance was established.

- CCP Order

ENQUIRIES

Show Cause Notice Issued to CAA and Three OMCs for Signing an Anti-Competitive Agreement

The Commission issued Show Cause Notices to the Civil Aviation Authority (CAA) and three Oil Marketing Companies including Pakistan State Oil, Shell Pakistan Limited and Total Parco Limited, for prima facie, entering into a prohibited agreement in violation of Section 4 of the Act.

Hascol Petroleum sent a complaint to the Commission that CAA had denied its request for the allotment of land at Jinnah International Airport (JIAP) Karachi for developing dedicated aircraft refuelling services. Hascol alleged that the reason for CAA's denial was a 'Sale of a Fuel Hydrant

System Agreement' that CAA had signed with Shell Pakistan, Pakistan State Oil, and Total in 1994. Under that agreement, no other party was allowed to use the current system or establish a new facility at JIAP.

The Commission's enquiry found that by signing the said agreement, CAA had granted exclusive rights to PSO, Shell and Total as operators for the use of the Hydrant Fuel System for the next 30 years, thus, prima facie, restricting competition in the relevant market. The enquiry also found that earlier in 1961, there was another agreement known as the 'Eastern Joint Hydrant Agreement,'

giving exclusive rights to Shell, PSO and Total to own, control and maintain the fuel tank forms for an indefinite period. The 1961 agreement allowed third parties to access the system, but the 1994 agreement had no such provision.

The Commission's enquiry termed both agreements of 1961 and 1994 anti-competitive and in violation of Section 4 of the Act. On the enquiry's recommendation, the Commission issued Show Cause Notices to CAA and the three OMCs.

PBA, BAC and Medialogic for Dividing and Sharing of Markets

BOL Media Network, Labbaik (Pvt.) Ltd and BOL Enterprise (Pvt) Ltd filed a complaint to the Commission under Section 37 (2) of the Competition Act, 2010 against Pakistan Broadcasters Association (PBA) Medialogic (Pvt) Ltd and Broadcasters and Advertisers Council (BAC) for alleged dividing or sharing of markets and applying dissimilar conditions in violation of section 4 of the Act.

The complainant alleged that Medialogic discontinued its ratings and denied to restore mainly due to some anti-competitive agreements exists among PBA, BAC and Medialogic, which is negatively affecting the complainant's advertisement businesses.

The Commission appointed an

enquiry committee to examine whether the arrangements between PBA, Medialogic and BAC and their conduct constitute, prima facie, violation of Section 4 of the Act. Besides, the Honorable Supreme Court of Pakistan passed an order dated 27.09.2018 in Criminal Original Petition No 108/2018 wherein the Commission has also been directed, in paragraph 6, to decide the said matter in accordance with the law within four weeks.

After examining the evidence, the enquiry report found that the arrangements/agreements exist among PBA, Medialogic and BAC have the object and effect of foreclosing the relevant and allied markets for a potential competitors of PBA's members in violation of Section 4 of the Act.

Furthermore, the conditions for obtaining ratings laid down by Medialogic are dissimilar for PBA members as compared to non-PBA members which put non-PBA members at a competitive disadvantage in violation of section 4 (2) (f) of the Act. Whereas another agreement among respondents designed to restrict entry of and exclude non-PBA members is anti-competitive in terms of Section 4 read with sub-section (2) (a) of the Act. It also appears that by denying ratings to the Complainant, which is on air and has an audience, in effect means that PBA has divided or shared the market for TV advertisement air time between its member undertakings which is a violation of Section 4 (1), read with Sub-section (2) (b) of the Act.

In light of the above mentioned findings, the enquiry committee recommended the Commission to consider initiating proceedings against PBA, BAC and Medialogic under Section 30 of the Act.

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Deceptive Marketing Practices



§ 10 of the Act addresses deceptive marketing practices. The Commission's Office of Fair Trade investigates potential violations of the § 10 of the Act. In several orders, companies were asked to avoid advertising deceptive claims about their products.

PKR 22.5 Million penalty on Medical and Dental Colleges for Section 10 Violation

ORDER

The Pakistan Medical & Dental Council (PMDC) issued a press release naming 22 private medical and dental colleges, which had failed to meet the PMDC registration criteria for 2013-2014. Therefore, these colleges were either not recognised or had restrictions placed on them for offering admissions for the sessions 2013-2014. Despite these restrictions, the said colleges were offering admissions to students for the abovementioned period.

Taking notice of these allegations, the Commission conducted an enquiry and found that out of these 22 institutions, eight had, *prima facie*, engaged in deceptive marketing practices by misrepresenting their recognition by PMDC and failing to communicate the restriction placed on them for offering admissions for the year 2013-14.

These eight medical institutions included: Pak Red Crescent Medical & Dental College, Lahore, Mohiuddin Islamic Medical College, Mirpur (AJK), Abbottabad International Medical College,

Abbottabad, Independent Medical College, Faisalabad, Women Medical College, Abbottabad, Hashmat Medical & Dental College, Gujrat, Bhattai Medical & Dental College, Mirpurkhas Sindh, (BDS), and AJ&K Medical College, Muzaffarabad - AJ&K.

After hearing the parties, the Commission passed an Order imposing a penalty of PKR 7.5 Million each on Bhattai Medical & Dental College Mirpurkhas, Women Medical College Abbottabd, and Pak Red Crescent Medical & Dental College Lahore, for publishing advertisements to offer admissions when they were on PMDC's non-recognised list. The Commission found no evidence of a violation by the remaining five Medical & Dental Colleges. Still, the Commission warned them against misrepresenting the facts about their PMDC recognition.

PKR 22.5
Million

PKR 18 Million Penalty on Electric Cable Manufacturers for Non-Disclosure of Hidden Cash Coupon

ORDER

The Commission initiated an enquiry on receiving information that several electric wire manufacturing companies were inserting cash and cash coupons in electric wire bundles without due disclosure. The practice only benefited the electricians who generally open the packs, whereas the end consumer who pays for the coupons remained unaware.

The Commission's enquiry found that 18 electric cable manufacturers were inserting cash coupons of various denominations in the packing of their wire bundles and not disclosing it anywhere. These companies included: Dawn Cables, G.M. Cables, Fast Cable, Hitech English Cables, Pak Muzaffar Cable, Alfa Plus Wire Cable, Hi-Ace English Cable, Gold Royal Cable, Zafar Cable, Nation Cable, Puller Cable, Welcome Cables, Dewan Cables, E-Flux Cables, Hero Cable, Falcon Cable, Lear Cables and Rana Cables. On the enquiry's recommendations, the Commission issued Show Cause Notice to them.

During the hearings, most of these cable manufacturers while accepting the violation said they were ready to stop the practice and not repeat it in future.

The Bench declared the token's insertion in electric cable packs without due disclosure a violation of Section 10. It imposed a penalty of PKR 5 Million each on Fast Cables and G.M. Cables and Pipes, and PKR 500,000 each on the remaining 16 cable manufacturers.

The Bench directed the companies to disclose the coupon's presence and value in their marketing material and publish four advertisements of A-4 size in two English and two Urdu newspapers to inform the general public. Moreover, if they wish to include tokens in the packaging, they must print their value visibly on the product packaging.

PKR 18 Million

PKR 5 million penalty on University of Management and Technology for False Claims

ORDER

The University of Management & Technology (UMT) allegedly made false claims about its ranking and accreditation in its marketing material. Upon receiving these concerns, the Commission conducted an enquiry.

The enquiry found that some of UMT's claims were deceptive and in violation of Section 10 of the Act. These claims were: "Top 10 in South Asia and best accredited in Pakistan", "UMT School of Business and Economics (SBE) is the only business school in Pakistan that has SAQS Accreditation", "UMT is also at the top as per HEC ranking in the General Category (medium-sized) of private sector institutions in Punjab in a row since last year", "Ranked as 2nd best by HEC* and Top 10 in South Asia."

The enquiry observed that these misleading and

deceptive claims jeopardised students' future and caused financial losses to their parents. Moreover, such deceptive marketing practices also harmed the business interests of other undertakings.

During the hearings, the UMT failed to substantiate these claims and tendered an unconditional apology. Given the UMT's compliance-oriented approach, the Bench took a lenient view and imposed a penalty of PKR 5 Million. The University filed a commitment with the Commission to avoid future violations.

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The Commission's Order underscored that private educational institutions do have the right to make reasonable profits, they cannot be absolved of their responsibilities of adhering to the pertinent rules and regulations, particularly when their conduct can have serious repercussions on the future of students.

PKR 5 Million Penalty on Restaurant for Deceptive Marketing Practices

ORDER

The USA-based international coffee house chain Starbucks Corporation sent a formal complaint to the Commission that Pakistan-based 'Options Coffee & More' was marketing, advertising, selling, and offering to sell "Starbuck coffee" using the STARBUCKS MARKS on the sign board of its coffee houses and restaurants, including on the packaging material, menus, flyers, its Facebook page, and other promotional material, without any authorization.

Starbucks informed that it had not given its franchise rights to anyone in Pakistan and complained that the practice was not only harming its business interest, but also deceiving Pakistani consumers.

The Commission's enquiry established

that Options had violated Section 10 of the Competition Act by fraudulently using the official trademark of STARBUCKS. On the enquiry's recommendations, Show Cause Notice was issued and hearings were held.

During the proceedings, the Commission received another application from STARBUCKS seeking an Interim Order in the case to prevent further damage to its business and goodwill until the Commission concludes its proceedings. On 17 August 2018, the Commission passed an interim Order directing Options International to immediately stop using "STARBUCKS" logo in its products until the conclusion of the proceedings and issuance of the final order.

In the final Order, the bench

noted that although Options has stopped using STARBUCK MARKS and also filed commitment to comply with its directions, however, since the unauthorized use of STARBUCKS MARKS spanned over a substantial period of time, the bench imposed a penalty of PKR 5 Million on the company. The bench directed 'Options' to inform the general public through newspaper advertisements for three consecutive days from the date of the order about its fraudulent use of the STARBUCKS MARKS.



PKR 5 Million Penalty imposed on Pakistani Restaurant for using Starbucks name in Pakistan

PKR 4.25 Million Penalty on Seven Fabric Companies for Trademark Infringement

ORDER

ShajarPak complained that eight companies were using its registered trademark, 'Pasha Fabrics,' on the packaging and labelling of their products without its authorisation. These companies included five fabric manufacturers, Ahmad Pasha Collection, Aamir Cloth House, M. Ramazan Fabrics, Pasha the Designer Fabrics, Sufi Cloth House, and three packaging manufacturers, Baba Plastic, Ahmad Plastic & Dabba House, and Kausar Brother Plastic Corner.

The Commission's enquiry found that ShajarPak had not authorised any of the above companies to use its trademark. By copying the trademark and trade dress, these companies were deceiving consumers and harming the business interest of ShajarPak. The conduct was a violation of Section 10 of the Act. On the enquiry's

recommendations, the Commission issued Show Cause Notices to them.

After hearing the parties, the Bench disposed of the Show Cause Notice issued to Pasha-The Designer Fabrics for lack of evidence. Four of the remaining companies, Ahmad Pasha Collection, Aamir Cloth House, Sufi Cloth House and Kausar Brother Plastic Corner, admitted the wrongdoing and filed commitments to comply with the Law. The Bench took a lenient view and imposed a penalty of PKR 500,000 each on them. However, the Bench imposed a fine of PKR 750,000 each of the other three companies, M. Ramzan Fabrics, Baba Plastic, and Ahmad Plastic & Dabba House, as they did not even appear before the Commission.

PKR 2.5 million Penalty on Neucon Pakistan for Trademark Infringement

ORDER

Ferozsons Laboratories sent a formal complaint against Neucon Pakistan for copying the trademark and packaging of its product, 'BIOFREEZE', for their product "BYQFREEZ".

The Complainant stated that the Respondent was fraudulently using a similar, deceptive or confusingly similar mark, 'BYQFREEZ', in relation to similar pharmaceutical preparations in the form of spray and gel so as to pass them off as and for the products of the Complainant, which tantamount to deceptive marketing practices in violation of Section 10 of the Act.

The Enquiry Report concluded that an unauthorized use of deceptively and confusingly similar trademark by the respondent appears to be a violation of Section 10, which prohibits the fraudulent

use of trademark and labelling and packaging. Furthermore, the Respondent seems to be disseminating false and misleading information, to the detriment of consumers and competitors in contravention of clause (b) and clause (a) of subsection (2) of Section 10 read with subsection (1) of Section 10 of the Act. Based on the, *prima facie*, findings of the enquiry report, the Commission initiated proceedings under Section 30 of the Act.

During the hearing, Neucon submitted the new trade name 'NEUFREEZ' with substantial changes in its label to remove the likelihood of any deception. The Commission found the net general impression of the two tags, i.e. 'BIOFREEZE' and 'NEUFREEZ', to be sufficiently dissimilar. If the labelling, size, shape, and dimensions of (spray) bottle and (gel) tube along with the external paper box packaging remain the same, no deception is

likely to arise, it noted.

The Bench in its Order restrained the Respondent, its proprietors, partners, directors, associates, agents, dealers, among others, from using the impugned marks 'BYQFREEZ' or any other mark with any prefix or suffix and trade dress that is phonetically, visually and constructively similar as that of the Complainant mark, 'BIOFREEZE' and its associated trade dress.

Considering a compliance-oriented approach by the Neucon, the Bench taking a lenient view, imposed a penalty of PKR 2.5 Million.

Show Cause Notice Issued to SK Farms and Health First Set Aside

ORDER

The Pakistan Poultry Association (PPA) filed a complaint that "SK Farms" and "Health First" made several misleading claims while advertising their products. The Commission's enquiry found that the two firms were drawing a false and misleading comparison of their poultry products with those of the other poultry farms through the claim "hormone-free". Such conduct was a violation of Section 10 of the Act.

After hearing the parties, the Bench concluded that the use of the term 'hormone free' in advertising by SK Farms was neither deceptive nor in violation of the Act. While taking an impartial and unbiased stance, the Commission set aside the Show Cause Notice and disposed of the matter.

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Suspicion, however, strong it maybe, cannot take place of a proof'

- CCP Enquiry Report



Two Companies Barred From Using Pearl Continental Logo

ORDER

The Commission passed an Interim Order directing two companies, Omni Comm and Lucky Gold, to stop using the trademark 'Pearl Continental' or 'PC' hotel until the issuance of the Final Order by the Commission.

Pakistan Services Limited (PSL) sent a formal complaint that Omni Comm and Lucky Gold were running their hotels under the brand name of 'PC Hotel' in Abbottabad and Faisalabad, respectively, without any authorisation.

The Commission's enquiry found that although PSL had granted franchises to the Omni Comm for a four-star hotel in Abbottabad and to Lucky Gold for a four-star hotel in Faisalabad. However, later on, it had terminated the agreements. Despite the termination of the business agreements, the two companies continued using the trade name and logo of PC Hotel at their respective hotels.

After receiving another application from PSL, the Commission passed an Interim Order directing

Omni Comm and Lucky Gold to immediately stop using PSL trademark "PC" and "Pearl Continental" anywhere until the issuance of the Final Order.

In its Order, the Commission recognised that part of any business's identity is the goodwill it has established with consumers. At the same time, part of a product's identity is its reputation for quality and value. In a larger sense, trademarks promote initiative and enterprise worldwide by rewarding the owners of trademarks with recognition and financial profit.



ENQUIRIES

Reckitt Benckiser Served with Show Cause Notice

Square Distribution & Marketing Systems sent a formal complaint that Reckitt Benckiser was deceptively advertising their product 'Strepsils' as a drug even though Reckitt had deregistered it as a medicine.

The Commission's enquiry found that the Respondent acquired Strepsils from Boots in 2006 when the Product was sold as a pharmaceutical drug under the regulatory ambit of DRAP. Upon acquisition, Reckitt Benckiser applied for deregistration of the Product with DRAP. On 10 April 2007, DRAP deregistered the product and allowed to use the brand name Strepsils for the food products as confectionary manufactured and marketed under the Pure Food Act. The enquiry found that Reckitt Benckiser,

prima facie, concealed the discontinuation of medical ingredient in Strepsils and kept marketing it on its social media and other promotional material as an effective product to cure sore throat. By doing so, the company, prima facie, deceived consumers and harmed the business interests of its competitors.

On the enquiry's recommendations, the Commission issued a Show Cause Notice to Reckitt Benckiser Pakistan.

The DRAP allowed deregistration of the Strepsils with certain conditions that;

i) Reckitt shall make no therapeutic claim for treatment, prevention, mitigation, symptoms or cure of diseases.

ii) The words, expressions, form and manner of presentation shall not violate section 23(1) (h) of the Drug Act, 1976.

iii) Reckitt will advertise in English and Urdu newspapers for the general public awareness that the Product is non-medicated.

iv) Reckitt shall not add a pharmacopoeial ingredient to the food product.

Show Cause Notices Issued to Weight Loss Products Manufacturers & Distributors

The Commission issued Show Cause Notice to various firms manufacturing/distributing weight loss products for, *prima facie*, deceptive marketing practices by spreading false and unsubstantiated claims about their products.

The Commission took notice of these firms' absolute and high sounding claims in advertisements regarding the quality, suitability for use, characteristics, and properties of their products. The apprehensions were that such advertisements mislead the general public to believe in the

products' miraculous effects on their health in a bit of time and without causing any side effects.

The Commission's enquiry observed that obesity is becoming one of the prominent causes of death, especially in some developed countries around the world. Being overweight may increase the chances of various health problems, including type2 diabetes, high cholesterol, high blood pressure, coronary heart disease and certain types of cancer etc. The Commission's enquiry also found that patients suffering

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Overweight and obesity together are becoming one of the prominent causes of death, especially in some of the developed countries around the world.

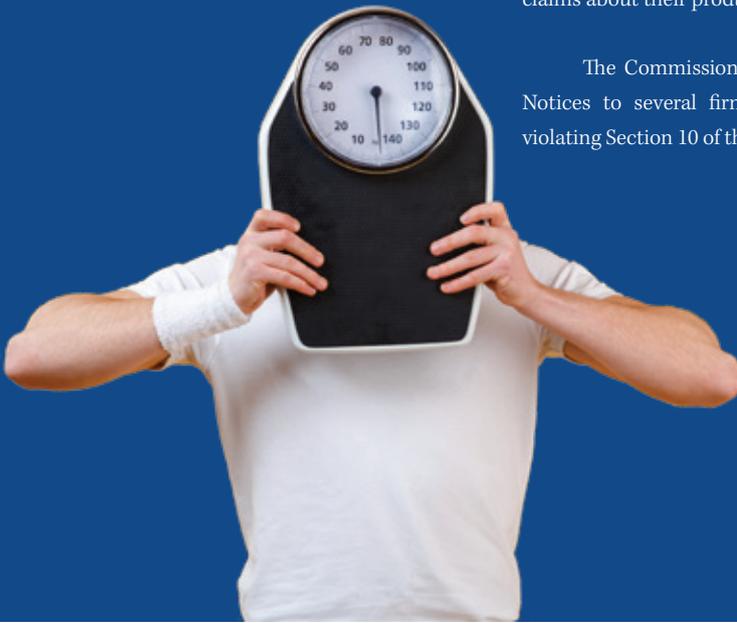
- CCP Order

from these diseases often turn toward desperate measures and get trapped in numerous weight loss related scams which promise "miracle" solution for their problems.

The enquiry committee surveyed to ascertain the major players involved in the manufacturing and marketing of weight loss products and sent letters to them regarding claims about their products.

The Commission issued Show Cause Notices to several firms for, *prima facie*, violating Section 10 of the Act on the enquiry

report's recommendation. These firms were MPC Health & Food for their product 'Just Slim', Herb Health Club for 'Apple Slimming Diet and Orange Slim, Hemani Herbal for 'Slimming Tea', Al-Mughani Herb for 'Smart Belly Reducer Tea', Herbs Man Laboratories for 'Smartil', Royal Leaf International for 'Diet Excel Slimming Tea', Awami Laboratories for 'Slim Smart', The Vitamin Company for 'Hoodia Slim', 'Ultra Slim Gel', and 'Ultra Slim Plus', British Slimming Clinic for 'Hilton's F2', 'Double Action', 'Helle', and 'Executive', Herbo Natural for 'SlimEasy', Lasani Pharma for 'Arq-eMehzal', Qarshi Industries for 'Anti-fat Tablets', Herbal Medicine for 'Slim Chakotra', 'Ultra Fat Cutter Tablets', 'German Slimming Tea' and Baber Herbal & Homeo Clinic for their generic weight loss products.



Trademark Infringement by Nimko Corner & Karachi Nimco

The Commission received a formal complaint from 'Nimco Corner' alleging that 'Mr Nimko Corner' and 'Karachi Nimco' were fraudulently copying/using its registered trademark, logo, taglines, packaging, colour scheme and the design of the packaging, including the overall trade dress. The Complainant said they were harming Nimco Corner's business interests by using a highly similar trade name.

The Commission's enquiry established that the Respondents had committed Section 10 violation through fraudulent use of the Complainant's trademark, packaging, colour scheme, design and get up of products.

The enquiry also found that such deceptive marketing practices could inflict harm upon the goodwill and business interest of the Complainant and confuse the consumers. The dissemination of false and misleading information related to character, properties and quality of goods via similar/identical packaging was a violation of Section 10 of the Act. On the enquiry's recommendations, the Commission issued Show Cause Notices to the Respondents.



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Parasitic coping of the trade dress, which appreciably impairs the consumer's ability to make an informed decision due to confusing similarities between the original and copied one, is to be discouraged.

- CCP Order

Unsubstantiated Claims by Hi-Tech Blending

The Commission issued a Show Cause Notice to 'Hi-Tech Blending', the importer of ZIC Lubricants, Korea, for making unsubstantiated claims about its products and, prima facie, violating Section 10 of the Act.

Chevron Pakistan Lubricants, the manufacturer and supplier of lubricants for use in the passenger vehicle, industrial and off-highway equipment and machinery, sent a formal complaint to the Commission. The Complainant said that Hi-Tech Blending was distributing false and misleading information to consumers, including a false and misleading comparison of goods lacking a reasonable basis in their recent marketing campaign through a television commercial, brochures and social media.

The Commission's enquiry found that for promoting the brand "ZIC", Hi-Tech Blending launched a marketing campaign

claiming its products to be superior over those of the competitors in terms of quality, efficacy and fitness.

The enquiry report concluded that by making these claims, High-Tech Blending was, prima facie, violating Section 10 of the Act by disseminating false and misleading information to consumers and harming the business interest of its competitors. On the enquiry's recommendations, the Commission issued a Show Cause Notice to Hi-Tech Lubricants.



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The practice of comparing competing goods in the process of advertising is not prohibited. What is deemed unlawful is that the assessments made should not have false or misleading inferences

- CCP Enquiry

Show Cause Notice issued to Mir Hassan Builders & Developers

The Commission received a formal complaint from Meher Developers & Constructions alleging that Mir Hassan Builders & Developers was deceptively using their registered trademark "ANCHOR" from Anchor Town, registered with the Intellectual Property Organisation (IPO) of Pakistan in 2015. Consequently, Mir Hassan Builders was deceiving consumers and harming the business interests of its competitors.

The enquiry found that by fraudulently using the registered trademark of Meher Developers, Mir Hassan Builders & Developers was, prima facie, violating section 10 of the Act.

The Commission served a Show Cause Notice on Mir Hassan Builders & Developers on the enquiry's recommendations.

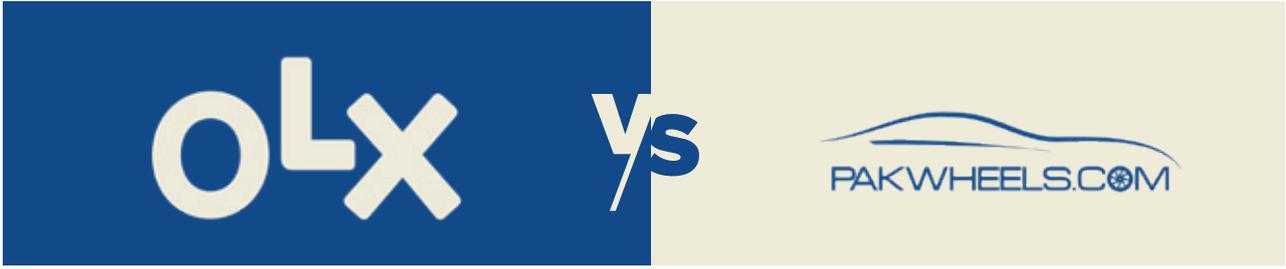
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“misleading advertisement” means any advertising which in any way including its presentation, deceives or is likely to deceive the persons to whom it is addressed or whom it reaches and which by reason of its deceptive nature, is likely to affect their behavior or which, for those reasons injures or is likely to injure a competitor. ’

- CCP Enquiry



Show Cause Notice issued to PakWheels



OLX B.V. and OLX Classifieds Pakistan filed a formal complaint against PakWheels for alleged violation of Section 10 of the Act.

It was alleged that the PakWheels had distorted a healthy competition in the market by engaging in fraudulent use of their registered trademark, firm name, labelling/packaging, and distributing false and misleading information to consumers, potentially harming their business interests.

Based on the preliminary fact-finding, the Commission initiated an enquiry. The enquiry concluded that the PakWheels was, *prima facie*, fraudulently using the registered trademark 'OLX', copyrighted OLX Logo, descriptions and photographs

from without consent or authorisation, in violation of Section 10 of the Act. Similarly, the PakWheels was, *prima facie*, engaged in distributing false and misleading information to the consumers related to the properties and place of production, in violation of Section 10. Furthermore, the conduct could also harm the business interests of the Complainants.

On the enquiry's recommendations, the Commission initiated proceedings under Section 30 of the Act against PakWheels.

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the Respondent was, prima facie, engaged in distributing false and misleading information to the consumers related to the properties and place of production, in violation of Section 10.

- CCP Enquiry

Enquiry Against Dairy Firm for Section 10 Violation Concluded

Pakistan Dairy Association filed a complaint against At - Tahir for alleged dissemination of false and misleading information to the consumers related to its product 'Prema Milk' in violation of Section 10 of the Act.

It was alleged that soon after the pronouncement of a Supreme Court order dated 08.12.2016 related to Ultra-High Temperature (UHT) and pasteurized milk, At - Tahir through its Facebook page by the name of 'Prema Milk' started to disseminate false and misleading information. The purpose was to create a false perception in the consumer market that apart from

Prema Milk, all other milk brands had been declared unfit for human consumption by the Honorable Court.

The Commission's enquiry concluded that At - Tahir was distributing false and misleading information that lacked a reasonable basis and making false comparisons related to the character, properties, suitability for use and quality of its product, which could also harm the business interests of other undertakings. Such deceptive conduct of the Respondent amounted to a, *prima facie*, violation of Section 10(1), in terms of Section 10(2)(a), (b) and (c) of the Act. The Enquiry Committee

recommended initiation of immediate proceedings against the At - Tahir under Section 30 of the Act and suggested restraining the firm from advertising its product unfairly and deceptively.



False & Misleading Information by Pakistani Leather Jacket House

The Commission received a formal complaint from Pakistan Leather International (JKT) that 'Pakistani Leather Jacket House' and 'Leather Inn Pakistan' were disseminating false and misleading information to consumers by fraudulently using the Complainant's registered trademark, trade dress and logo. The Complainant further stated that the Respondents were harming its business interests by copying/using its trademark in their marketing material.

The inquiry found that 'Pakistani Leather Jacket House' was fraudulently using the Complainant's trade dress and involved in copycat or parasitic packaging, which

could influence the consumers choice.

The enquiry, however, found that Leather Inn Pakistan had not committed any violation of the Act.

On the enquiry's recommendations, the Commission served a Show Cause Notice on Pakistani Leather Jacket House.



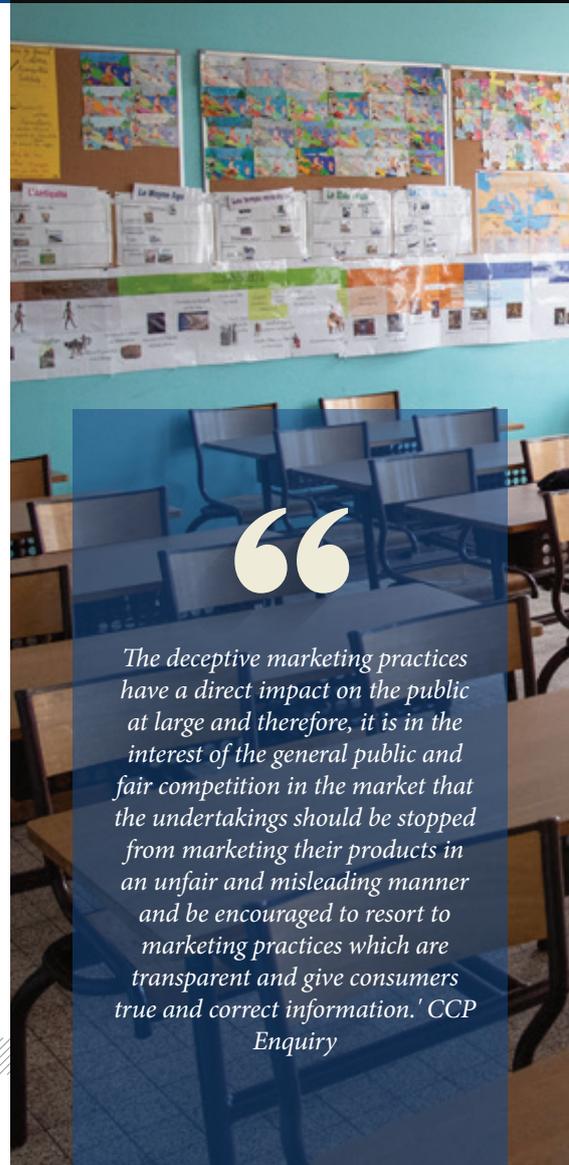
Misleading Information by Dar e Arqam Schools & Dar e Arqam Foundation

Dar e Arqam Schools sent a formal complaint that several schools in various cities were using its trademark and trade name, harming their business interests. Those campuses included: Dar e Arqam, 1-8 Campus Islamabad, Dar e Arqam School, 1-10 Campus Islamabad, Dar e Arqam School, Khayaban e Sir Syed Campus Rawalpindi, Dar e Arqam School, Hayat Abad Campus Peshawar, Dar e Arqam School, University Town Campus Peshawar, New Dar e Arqam Schools Systems Canal Road Peshawar, Tarbiyah Schools International, Peshawar, and International Model Tarbiyah (Pvt.) Limited.

The Commission's enquiry found that the respondents were using the Complainant's registered project name and collective marks in their campuses on

the course books, fee schedule, uniform, admission material and promotional material without any authorisation.

The enquiry concluded that the respondents were misleading the consumers regarding their products and harming the business interest of the Complainant, which is a violation of Section 10 of the Act. On the enquiry's recommendations, Show Cause Notices were issued to the Respondents.



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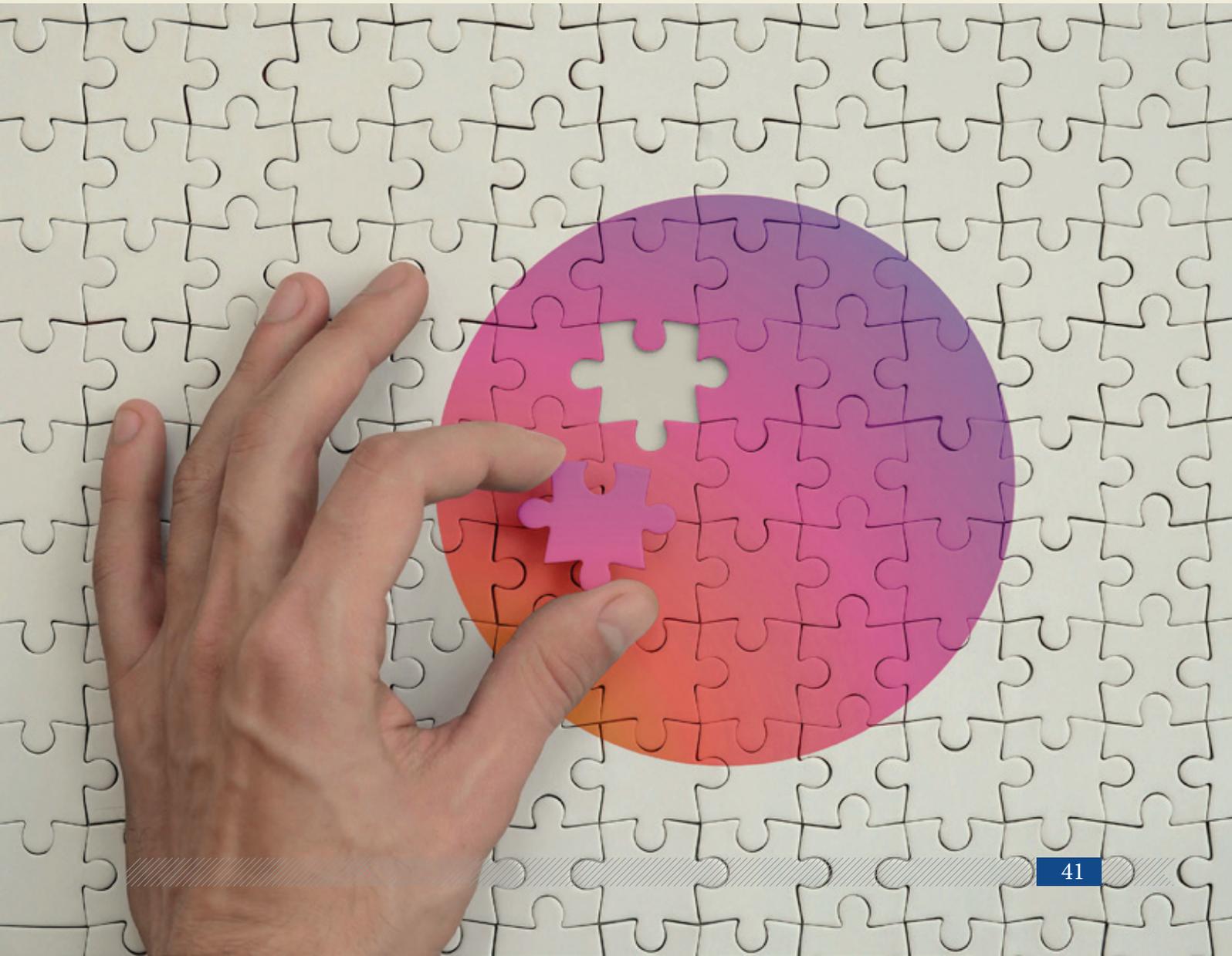
The deceptive marketing practices have a direct impact on the public at large and therefore, it is in the interest of the general public and fair competition in the market that the undertakings should be stopped from marketing their products in an unfair and misleading manner and be encouraged to resort to marketing practices which are transparent and give consumers true and correct information.' CCP Enquiry

06

Approving

Mergers, Acquisitions & Joint Ventures

§ 11 of the Act addresses mergers. No undertaking shall enter into a merger which substantially lessens competition by creating or strengthening a dominant position in the relevant market



Acquisitions

1. Acquisition of Ashkot Energy (Pvt) Limited by Sichuan Energy Industry Investment Power Development Co. Limited, Changshu Fengfan Power Equipment Co. Limited and Sichuan Western Yangguang Electric Power Development Co. Limited - 7/4/18
2. Acquisition by Wilmcote Holdings Plc of the entire issued share capital of Arysta Lifescience Inc. from Platform Specialty Products Corporation - 7/6/18
3. Acquisition of 49% shareholding of Medialogic Pakistan Private Limited by Russel Square Holdings B.V - 7/6/18
4. Acquisition of 30% shareholding in Excel Labs Private Limited by Karandaaz Pakistan - 7/9/18
5. Acquisition of 5.51% shareholding of Etihad Power Generation limited by Mian Amer Mehmood - 7/9/18
6. Acquisition of 10.04% of the issued share capital of Liberty Power Tech Limited by Mr. Shahid Rashid Soorty from Soorty Enterprises (Private) Limited - 7/9/18
7. Acquisition of 30 million preference shares in HAC Agri Capital by Karandaaz Pakistan - 8/1/18
8. Acquisition of 36% equity stake in NBP Fund Management by Baltoro Growth Fund from Alexandra Fund Management - 8/1/18
9. Acquisition by KKR & Co. Inc. of Boxer Parent Company Inc. - 8/1/18
10. Acquisition through equity investment by Jewel Rock Pte. Ltd., (a wholly owned indirect subsidiary of Gunvor Group Ltd) of up to 20% in Pakistan Energy Gateway Limited - 8/6/18
11. Acquisition of 89% shareholding in M/s. Multinet Pakistan (Private) Limited from M/s. Axiata Investments (Labuan) Limited by Mr. Adnan Asdar Ali - 8/6/18
12. Acquisition of 19.99% shareholding in Faysal Asset Management Company Limited from Mr. Razi-ur-Rehman Khan by Faysal Bank Limited - 8/30/18
13. Acquisition of 0.528% shareholding in Hascol Petroleum Limited by Vitol Dubai Limited from Mr. Mohammad Salim Mukati - 8/30/18
14. Acquisition of 1.057% shareholding in Hascol Petroleum Limited by Vitol Dubai Limited from Liberty Mills Limited - 8/30/18
15. Acquisition of 80% equity of M/s. Orthopaedic & Medical Institute Private Limited by M/s. Lakson Private Equity Fund - 8/30/18
16. Acquisition of 10% shareholding in M/s. Gas and Oil Pakistan Limited by M/s. Vitol Dubai Limited - 9/17/18
17. Acquisition of 29% shareholding M/s. Elengy Terminal Pakistan Limited by M/s. Vopak LNG Holding BV - 9/7/18
18. Acquisition of 45% shareholding in M/s. Telenor Microfinance Bank Limited by M/s. Alipay (Hong Kong) Holding Limited from M/s. Telenor Pakistan B.V. - 9/7/18
19. Acquisition of 100% shareholding in M/s. LCY Chemical Corp by M/s. Carlton (Luxembourg) Holdings SARL - 11/16/18
20. Acquisition of 100% shareholding of M/s. Arysta LifeScience Inc. by M/s. UPL Corporation Limited from M/s. Platform Specialty Products Corporation - 11/16/18
21. Acquisition of 15.39% shareholding of M/s. Optimus Limited by M/s. PHL (Private) Limited from M/s. JS Private Equity Fund I LLC - 11/16/18

22. Acquisition of 24.9% shareholding in M/s. Alfalah Securities (Private) Limited by M/s. CLSA JV Holdings Private Limited. - 11/22/18

23. Acquisition of 16.43% shareholding in M/s. Macter International Limited by M/s. SAAS Enterprises (Private) Limited. - 11/22/18

24. Acquisition of 2.82% shareholding in M/s. IGI Holdings Limited by Mr. Syed Babar Ali - 11/22/18

25. Acquisition of transport business segment of M/s. General Electric Company by M/s. Westinghouse Airbrake Technologies Corporation - 11/27/18

26. Acquisition of 50% shareholding in M/s. Macsteel International Holdings BV by M/s. Macsteel Global SARL BV - 11/27/18

27. Acq of 100% shareholding of NC Entertainment (Pvt) Ltd, by Mr. Shahmir Yahya from Nishat Chunian Ltd. - 11/30/18

28. Acquisition of LPG plant from M/s. Marshall Gas Pvt Limited by M/s. Hascol Petroleum Limited - 11/30/18

29. Acquisition of 100% shareholding from H&K AAG Holdings LLC, by TC Group, L.L.C., of 100% of the equity of Apollo Aviation Holdings Limited - 11/30/18

30. Acquisition of upto 38.3% shareholding in M/s. ThalNova Power Thar (Private) Limited by M/s. Hub Power Holdings Limited - 11/30/18

31. Acquisition of 100% shareholding of M/s. Sharp Telecom (Pvt) Limited by HB International Investments Limited - 11/30/18

32. Acquisition of M/s. Gulf Sugar Mills Limited sugar manufacturing facility by M/s. AKT Sugar Mills (Private) Limited - 12/19/18

33. Acquisition of 100% shareholding in M/s. Magneti Marelli S.P.A by M/s. Ck Holdings Company Limited - 1/11/19

34. Acquisition by Vopak LNG Holding B.V. of all outstanding shares in Elengy Terminal Pakistan Limited currently owned by International Finance Corporation from International Finance Corporation - 1/11/19

35. Acquisition of 67% shareholding in M/s. Dandot Cement Company Limited by M/s. Calicom Industries (Private) Limited from M/s. Three Star Cement (Pvt) Limited, Mr. Saud Rasheed and Mr. Mansoor Rasheed - 1/11/19

36. Acquisition of 34.5091% shareholding in M/s. Khurshid Spinning Mills Limited by M/s. Beacon Impex (Private) Limited - 1/21/19

37. Acquisition of M/s. Raja Green Farms (Private) Limited by Mrs. Nida Ahsan - 1/21/19

38. Acquisition of M/s. Union Green Farms (Private) Limited by Mrs. Sharmin Shahid - 1/21/19

39. Acquisition of 48% shareholding in M/s. Orient Group Beijing Investment Holding Limited (mauritus) by M/s. Super Success International Holdings Limited from M/s. Orient Group Investment Holding Limited. - 1/25/19

40. Acquisition by Ipsos FZ-LLC (formerly named Ipsos Stat FZ LLC) of 40,495 ordinary shares of Rs. 100 each representing 70% of the total issued ordinary shares of ASB Associates (SMC-Private) Limited - 2/27/19

41. Acquisition of 2.24% shareholding in M/s. Packages Limited by Mr. Syed Babar Ali - 2/27/19

42. Acquisition of 62% shareholding in M/s. 2669790 Ontario Inc. by M/s. Fairfax Financial Holdings Limited. - 3/14/19

43. Acquisition of 98.23% shareholding in M/s. Baba Farid Sugar Mills Limited by M/s. Naubahar Bottling Company (Private) Limited, Mr. Muhammad Shamim Khan, Mrs. Qaiser Shamim Khan, Mr. Adnan Ahmed Khan, Mr. Nauman Ahmed Khan. - 3/14/19
44. Acquisition by M/s. Evercare Health Fund Genpar. L. P. of M/s. Gate Healthcare 1 Pak (Private) Limited, M/s. Avicenna Healthcare 1 Pak (Private) Limited and M/s. Islamabad Diagnostic Centre (Private) Limited. - 4/17/19
45. Acquisition of sole control of M/s. Katama Ltd. by M/s. PHC Holdings Corporation. - 4/17/19
46. Acquisition of 49.9% shareholding in M/s. Johnson & Phillips Pakistan Limited by Mr. Muhammad Anis Mianoor. - 4/17/19
47. Acquisition of 30% shareholding in M/s. Bookme Tickets (Private) Limited by M/s. Lakson Venture Capital Fund and Mr. Khurram Shahzad Samad - 4/17/19
48. Acquisition of certain assets of M/s. Yaqoot Oil Processing and Extracting Mills (Private) Limited by M/s. Unity Foods Limited - 5/13/19
49. Acquisition of 100% shareholding in M/s. Digital Planning Service (Private) Limited by M/s. Straumann Holding AG from Mr. Mudassir Rathore and Dr. Nadeem Arif - 5/16/19
50. Acquisition of 100% shareholding of M/s. OBS Pakistan (Private) Limited by Mr. Munis Abdullah from M/s. OBS Healthcare (Private) Limited, Mr. Tariq Moinuddin Khan and Others - 5/16/19
51. Acquisition of 70% shareholding in M/s. Saudi Basic Industries Corporation by M/s. Saudi Arabian Oil Company - 6/21/19
52. Acquisition of 12% shareholding in M/s. Shifa International Hospital Limited by M/s. International Finance Corporation - 6/21/19
53. Acquisition of assets of M/s. Trade Tacts International (Private) Limited by M/s. Kronos Pakistan (Private) Limited. - 6/28/19
54. Acquisition of 12% shareholding in M/s. Ticket Technology Solutions Pte. Ltd by M/s. Gobi Fund III L.P. - 6/28/19
55. Acquisition of 69% shareholding in M/s. Sunridge Foods (Private) Limited by M/s. Unity Foods Limited. - 6/28/19

Joint Ventures

1. Joint Venture between PSO and Attock Petroleum Company - 8/1/18
2. Joint Venture between Riaz Bottlers Private Limited and Lotte Chilsung Beverages Co Limited - 8/6/18
3. Joint Venture between M/s. Tata Steel Limited and M/s. Thyssenkrupp AG - 3/19/19
4. Joint Venture between M/s. Matco Foods Limited and M/s. Barentz International B.V. - 3/19/19
5. Joint Venture between M/s. LG Electronics and M/s. Lufthansa Technik - 3/28/19

Mergers

1. De-Merger of Interloop Limited's investment segment and transfer to Interloop Holdings Private Limited - 12/19/18
2. Merger of M/s. Master Sanitary Fittings Industries Limited with and into M/s. Master Poly Plastic Industries Limited

07

Reviewing

Policy Frameworks



§ 29(b) of the Act allows the Commission to review policy frameworks for fostering competition and making suitable recommendations for amendments to this Act and any other laws that affect competition in Pakistan to the Federal Governments and Provincial Governments

Policy Notes

Amendments in the Civil Aviation Authority's Order on Flight Catering Services at CAA Airports

The Civil Aviation Authority (PCAA) published a Tender on 22 April 2016 to establish a single flight kitchen at the New Islamabad International Airport (IIAP) on a joint venture basis. The Commission received concerns about certain discriminatory clauses in the tender. The Commission held an Open Hearing on 22 September 2016 to hear the views and concerns of the stakeholders on the subject.

After hearing all stakeholders, the Commission issued an Opinion. The Commission observed that a single flight kitchen would only be justified if there was a realistic plan to show that entry barriers created out of the exclusivity were balanced by technical or economic progress, a fair share of which was passed on to end consumers. Moreover, the PCAA's participation in the business on a revenue-sharing basis created a conflict of interest; hence it should consider alternative arrangements. The Commission also observed that at no point should any airlines be barred by the PCAA to uplift meals from any off-premises option available to them.

The PCAA, while taking into account the Commission's recommendations, invited the Airlines, Flight Caterers and Hotels to participate in an open tender for the award of land space to establish a non-exclusive flight kitchen facility at the IIAP. Although the PCAA did not incorporate the Joint Venture Model in the tender document, it imposed royalty of USD 1.39 per meal on the successful bidder, on international routes, and PKR 50 per meal on domestic routes. Meal royalty is essentially a tax levied by PCAA, passed on, by the airlines/private catering company, to the final consumer.

M/s Kitchen Cuisine (Pvt.) Limited (the 'KCL') won the tender for flight kitchen contract. After the award of the tender, CAA vide its Order dated 20 March 2018, implemented a new policy, i.e. CAA Order. The stated aim of the Order was to ensure high standards of hygiene and facilitate airlines and other catering providers to ensure the establishment of a high-quality flight kitchen with competitive meal prices. The CAA Order introduced two different types of flight catering services for outside and inside PCAA premises. The inside CAA premises had two sub-categories, i.e., (i) Airline/JV and (ii) Private Caterers. A bare perusal of the CAA Order vis-à-vis the inside CAA premises flight kitchen revealed that it eliminated the requirement of the competitive bidding process for the Airlines/JVs. They will be allotted space on the CAA premises on open space charges as an incentive. In contrast, the Private Caterers had to acquire the space inside CAA premises after competing through an open bidding process.

Moreover, the private caterers had to participate in a tender process, whereas the airlines/JV could be granted space upon request (Clause D2.4.1). The private caterers had to pay a license fee over and above prescribed open/covered/paved space rental charges whereas, the airlines/JV would be provided space on prescribed open space charges. The construction cost was adjusted for airlines/JV and not for private catering companies inside PCAA premises.

To create a level playing field, the Commission recommended that PCAA amend the CAA Order and Royalty charging of USD 1.39 per meal from Airline/JVs on the meals provided to local/Pakistani airlines

for international routes. As an alternate suggestion, the PCAA may consider waiving Royalty charging of USD 1.39/- per meal from private caterers located inside CAA premises for the meal supplied to local/Pakistani airlines operating on international routes.

Similarly, meal royalties of Rs. 50/- per meal for domestic routes may be applied uniformly on all operators, whether airlines/JV or private caterer or IIAP Kitchen No.1 licensee, i.e. KCL may also be exempted from the same. Moreover, PCAA may amend Clause 2.4.1 of the Order to make provision for tender for allotment of space in case of airline/JV in a similar manner to that applied on private caterers. Further, incentives regarding adjustment of construction cost as provided to airlines/JV in Clause 2.4.3 of the CAA Order should also be provided to private caterers located in CAA premises to create a level playing field.



Amendment To Section 28 Of Khyber Pakhtunkhwa Public-Private Partnership Act, 2014

Policy Note Issued to KP Government

The Commission issued a Policy Note to the Government of Khyber Pakhtunkhwa to amend Section 28 of the Khyber Pakhtunkhwa Public-Private Partnership Act, 2014 (KP PPP Act) to create a level playing field and remove entry barriers for the private sector in awarding public projects.

To finance infrastructure and development projects, the Government of Pakistan adopted an innovative approach and formulated the Public-Private Partnership Policy Framework in 2010 to facilitate private investment in government-initiated/owned projects. This policy, therefore, resulted in the execution of public sector projects through PPP mode.

After the 18th Amendment to the 1973 Constitution, the provincial governments executed and administered this policy at the province level. Thus, the KP Government promulgated the KP Public-Private Partnership Act 2014, allowing the participation of the private sector in delivering public infrastructure projects and related services.

The KP Government amended Section 28 of the Khyber Pakhtunkhwa Public-Private Partnership Act, 2014 (KP PPP Act), giving itself substantial exemptions for directly awarding contracts in certain unjustified cases for its projects under the Public-Private Partnership (PPP) model. The Commission observed that the amendments raised serious competition concerns about infrastructural and developmental project contracts.

Moreover, specific clauses added to Section 28 of the KP PPP Act through the said amendment could distort competition considerably. For example, under Section

28A(a) and (b), the Contracting Authorities were granted exemptions from following the procedures laid down in CHAPTER IV of the KP PPP Act, thus distorting the competitive market. Moreover, these additional clauses authorised them to give preferential treatment to state (domestic and foreign) owned enterprises through the direct award of contracts in PPP projects, thus, giving them an undue advantage over the private firms.

Furthermore, Section 28A(c) empowered KP Government to execute such projects under agreements and commitments with foreign state and person or funded by international donor institutions. In such cases, the Contracting Authority, once again, had the powers to award contracts to a Concessionaire (private or state-owned/domestic or foreign) of its choice without the compulsion of following the process of competitive bidding.

Therefore, the Commission believed that the amendments in the KP PPP Act were discriminatory as they created significant barriers to entry for the private sector through Section 28A(a) and (b) of the KP PPP Act. It also meted out the unjustified advantage to favoured firms of the Contracting Authorities vide Section 28A(c) of the KP PPP Act and is highly anti-competitive in principle.

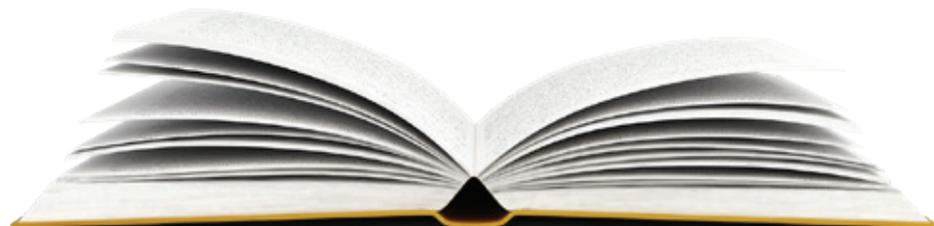
The Commission, under its mandate, recommended that the KP Government repeal the Amendment to reinstate a fair and competitive environment in the relevant

sector in the province. Furthermore, this issue requires a prompt response from the GoKP to enable legitimate integration of the private sector in delivering the forthcoming (high valued) projects under the CPEC umbrella based on the principles of fair competition without any further delay.

“

The Commission recommends that the Amendment may be repealed by the GoKP and a fair and competitive environment is reinstated in the relevant sector in the province of KP.'

- CCP Policy Note



Opinions

Opinion Issued to Government on Making Automobile Sector Competitive & Efficient

The Commission issued an Opinion with recommendations on making Pakistan's automobile sector more efficient and competitive and proposing practical measures to be taken by the government and car manufacturers to protect the interests of the industry and consumers.

The Opinion followed an Open Hearing held on 11 April 2018, in which all stakeholders, including the consumers, auto-parts manufacturers, traders, importers, and the car manufacturers, participated.

The Commission recommended that any price increase after a customer book a vehicle should not be applied retrospectively. In addition, the government may revise the double taxation policy for advance/withholding income tax to allow for a supply-push based wholesale automotive market wherein risk is transferred from the car manufacturers to wholesale dealers. This model will help manufacturers make production and expansion decisions while discouraging undocumented investors from exploiting customers by making a profit through premiums.

To tackle the problem of premium/on-money on purchase of new cars, the

Commission suggested business expansion by the existing car manufacturers.

The entry of new players within the next 12-18 months will benefit all segments of passenger cars to improve the industry's situation. However, realising that buyers face problems in the redemption of KIBOR plus 2% on late delivery of vehicles under the Auto Policy 2016-21, the Commission proposed appropriate measures, including legislation and identifying a government agency responsible for its implementation.

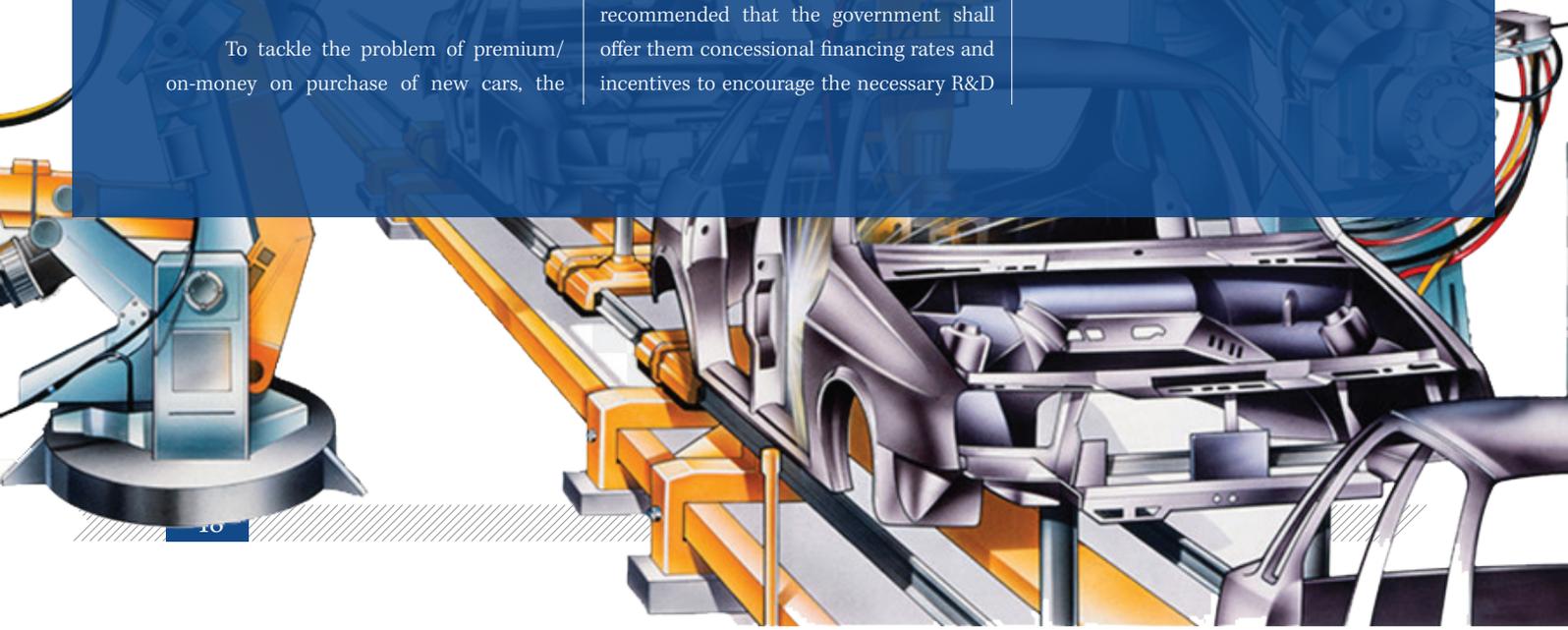
To the government, the Commission suggested creating a National Automotive Sector Standards and Safety Authority to develop and enforce the regulatory framework for the auto industry under one umbrella to ensure quality, safety, and environmental standards.

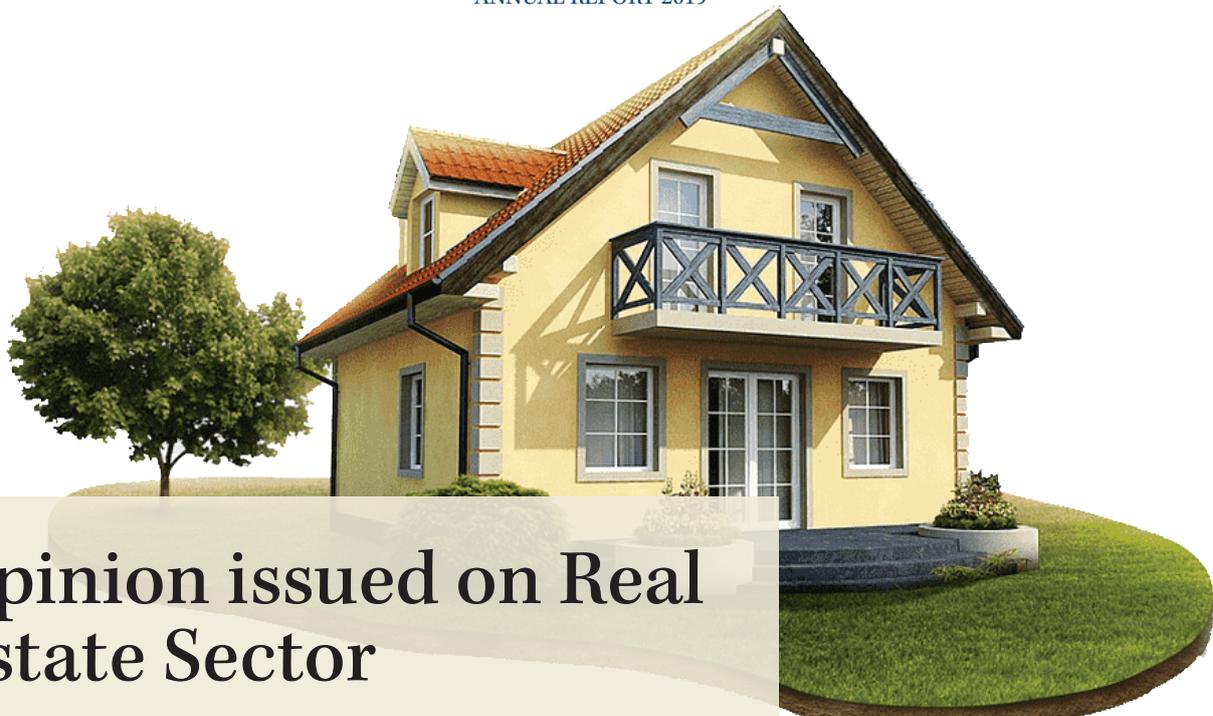
The Commission also recommended changing the existing taxation regime from one based on engine capacity and size to one that rewards fuel efficiency, lower emissions, and newer technologies. For the automotive parts manufacturers, the Commission recommended that the government shall offer them concessional financing rates and incentives to encourage the necessary R&D

efforts to help them acquire regional and global Tier-1 status.

Finally, the Commission suggested retaining the features of Auto Policy 2016-21 concerning taxation and a new entry in the market to ensure competition in the market.

Pakistan's auto industry operates on a 'demand pull' model where manufacturers produce cars when an order is placed. This model opens up an opportunity for investors to make quick money by booking several vehicles and then selling them to customers for a premium by offering an immediate sale. Moreover, the Commission recommended that the government may consider appropriate changes in the advance/withholding income tax regime, particularly Section 153 and 231B of the Income Tax Ordinance, 2001, to remove double taxation to encourage a documented wholesale car market. This measure will discourage blockages created by undocumented investors looking to make quick money from premiums and allow for a more suitable 'supply push' based wholesale model, which caters to the growing demand.





Opinion issued on Real Estate Sector

The Commission issued an Opinion to the government on "Competition Issues in the Real Estate Sector", recommending introducing a regulatory framework to protect the interests of all stakeholders, particularly the investors and the general public.

In April 2018, the Commission held an "Open Hearings on the Real Estate Sector" to note the concerns of the consumers, investors, relevant government bodies, and other stakeholders regarding the pertinent issues in the property market of Pakistan. The Commission then studied the applicable laws and conducted its research to grasp the relevant issues.

The Commission proposed to the government to establish a regulatory authority for the real estate sector. The functions and powers of the proposed authority include Registration and Regulation, wherein it will be responsible for pre-registration/licensing, renewal of the license of developers, promoters, project managers, and Real Estate agents/brokers/dealers. In addition, the proposed authority may also enjoy enforcement powers, such as conducting enquiries and investigations, inspections, and subsequent enforcement actions, including the imposition of penalties to address the consumer issues.

The proposed regulatory body should publish and maintain a website/database of all records of the real estate sector, with an updated status on Registration, Title, Regulatory NOC, etc. It may also convert the conventional land record system to modern day's information technology-based systems.

The Opinion recommended to review the existing Laws and incorporate appropriate amendments. The lack of uniformity in the Real Estate Sector regarding the applicable laws is a serious issue for the consumers. Further, there is an inherent conflict in the laws governing the Development Authorities with particular reference to competition issues as the Regulators, i.e. LDA, CDA, FDA, GDA etc., are not only performing the functions of the regulators but are also undertaking economic activities by launching their housing schemes. Therefore, the Regulators, i.e. the respective development authority, becomes the competitor of its regulatees. In addition to the preceding, the complaint resolution mechanism is also discriminatory so that a complaint against the housing scheme or project launched by the development authority is to be processed and forwarded by the development authority against whom the complaint is launched.

Furthermore, the laws concerning the registration of Real Estate Agents are

too outdated and contain minimal penalty. The registering authority can only file a complaint against the non-compliant Real Estate Agent, and no remedy is available to the consumers making the applicable laws purposeless and ineffective. Hence, the Commission proposed to revise the laws vis-à-vis the registration of Real Estate Agents and the complaint resolution mechanism and penalties. Similarly, the outdated Laws regarding the Land Acquisition and Transfer of Property, i.e. the Land Acquisition Act, 1894 and Transfer of Property Act, 1882, aimed at enforcing the British Rule in the pre-independence era, must be revised. This revision is necessary owing to the changed market conditions and evolution of rights of the consumers, in particular, keeping in view the fundamental rights guaranteed under Article 23 & 24 of the Constitution read with Article 38 thereof.

An important issue raised during the public hearing was the inordinate delay in resolving disputes regarding the real estate sector. Hence, it is important to appropriately amend the respective laws to provide for expeditious disposal of cases in the real estate sector. Preferably, a time limit of six months to one year be prescribed for expeditious disposal of cases, be it by the special tribunals/courts or by the Court of ordinary jurisdiction.

08

Reviewing

Research Studies



§ 28 of the Act addresses research studies. The Commission shall conduct studies for promoting competition in all sectors of commercial economic activity

Competition Assessment Study of Tea Industry in Pakistan

The Study on the 'Tea Industry in Pakistan' provides a profile of the industry and focuses on an array of competition issues, including market development through tea cultivation and market dynamics affecting tea prices.

Pakistan is amongst the major importers of tea. The industry depends entirely on imported tea, with a negligible quantity of tea produced domestically. In 2017-18, Pakistan imported black tea from 17 countries to fulfil its demand. A major challenge faced by the tea industry in Pakistan is smuggling from Afghanistan. Under the agreement for transit trade, Afghan imports land at the Karachi port, which are then dispatched for Afghanistan. However, instead of entering Afghanistan or even after it enters Afghanistan, the tea is brought back to Pakistan. This smuggled tea is then sold in the local market along with the legally imported tea. The import cost of tea imported for Pakistan is estimated to be around 32% greater than tea imported for Afghanistan due to the various taxes paid by domestic importers. The Study discusses multiple prospects for improving competition in the tea market. Following are the key recommendations of this Study.

Recommendations

- A combination of tax and enforcement tools can help control smuggling. By decreasing the cost of legal imports, the smuggling trade can be made less attractive.
- To control the selling of Afghanistan-bound tea in the Pakistani market, the National Interest Clause in the Transit Trade Agreement may limit the import above Afghan consumption, which hurts the domestic market.
- The task to devise policy and action plan for indigenous production of tea and its trade may be assigned to a 'Tea Wing' within the Ministry of National Food Security & Research (MNFS&R).
- KPK and AJK governments may tap the immense potential for employment and income generation through tea cultivation. Commercialisation of tea projects through public-private partnerships should be considered by federal, provincial and AJK governments. Ensuring long term availability of land to potential investors is inevitable for the success of the tea-growing initiative.



Competition Assessment Study of Wheat Flour Industry in Pakistan

The Commission completed a Study of the Wheat Flour Sector exploring the value chain of the wheat industry in Pakistan from a competition perspective. The Study examines wheat and food security issues, including the province-wise wheat production, long and medium-term changes in national demand and supply, and price conditions.

After a thorough analysis of the value chain and the regulatory framework, the Study offers key recommendations to enhance productivity and competition in the wheat flour market. It highlights the need for revisiting policies and introducing reforms in the governance system and institutions that shape the market.

Following are the key recommendations of the Study:

Recommendations

A. Farm-level Improvements

1. Agriculture policy

- Although agriculture became a provincial subject under the 18th Amendment, the country needs a holistic agriculture policy. This gap has been filled to some extent by the recently approved National Food Security Policy, 2018, which covers essential elements relating to productivity enhancement, agricultural inputs – seeds, fertilizer and sectoral perspectives. The Policy also identifies the roles of Federal and Provincial governments.

2. Agricultural research and its dissemination

- There is a need to abridge the yield gap through coordinated efforts of institutions involved in training and information dissemination. Availability of high-quality inputs and credit is necessary for meaningful efforts.
- There is a need to share research's results for integrated nutrient management to control declining fertility and low organic matter in the soil, soil salinity, pests, and poor quality of underground water.

3. Quality of seeds

- To enhance yield, seeds related issues have to be addressed. The Seed Act puts onerous and restrictive requirements for seed testing and certification. There is a need first to specify standards with which the private sector has to comply.
- The competition agency should be watchful for a possibility of abuse of dominance, as Plant Breeders' Rights Act, 2016 may result in creating seed monopolies.

4. Digitizing information systems

- It is necessary that the programs, such as Zarrai Mushwara, Zarrai Jantri, Mukaami Mosam and Kisaan TV, be continued and expanded in coverage and scope. The applications such as Crop Calculator, Subsidy, Farm Supplies, and Mandi applications, which are under development, be launched with additional marketing features.

B. Farm to Market Improvements

1. Wheat procurement and storage.

- Instead of maintaining differential pricing, it may be considered to procure and release wheat at or close to the market rate, which will help eliminate rent-seeking by using the government's wheat quotas. This will also decrease profits from smuggling subsidized wheat flour and wheat hoarding.
- Competition can be enhanced once there is transparency and predictability about the government's actions in the entire value chain relating to procurement, storage, distribution, price maintenance and trade.
- To improve the state of storage facilities, there is a need to run these facilities on a corporate business basis.

2. Regulation of the value chain

- A working group consisting of the relevant stakeholders needs to be constituted to review the situation. Otherwise, promotion of competition will remain a far cry.

3. Credit

Most farmers and businesses do not explore the possibility of getting credit and loans from banks. The outreach of the formal sector financial institutions requires awareness creation efforts that funds are available even to those farmers who do not have adequate collateral.

4. Infrastructure for market development

- Using geographic information system (GIS) techniques, areas can be identified to build roads, develop storage facilities and markets.
- All types of infrastructure in Ghalla mandi or grains wholesale markets need an overhaul, may it be legal, administrative or relating to the provision of sewerage, electricity, waste management and water supply.

5. Agricultural Futures Market

- A well-functioning commodity exchange can help create a marketplace where producers of agricultural commodities could meet potential buyers and benefit from fair transactions.

6. Documentation of milling businesses and Quality

- A large portion of the wheat flour industry is in the undocumented

informal sector. This situation promotes unfair competition to the advantage of un-documented milling due to avoidance of taxes and social security, thus, require documentation of all flour mills.

7. Ease of exit

- Enhancing competition requires ease of market entry and exit. The bylaws should have specific provision to provide ease of exit to the flour mills. This would facilitate the resources to be used for more productive purposes, which is in line with the spirit of competition.

8. Converting Special Economic Zones into an opportunity

- Pakistani industry needs to convert SEZs into an opportunity, instead of taking SEZs as a threat, by identifying potential avenues for exports.

9. Promoting the Rights of Consumers

- The Federal Government may take necessary steps to ensure effective implementation of the Islamabad Consumer Protection Act, 1995.

Competition Impact Assessment Study: Recommendations to Promote Competition in LNG Sector

The Commission conducted a Study to assess the state of competition in the Liquefied Natural Gas (LNG) sector in Pakistan. The Study evaluates the pricing models adopted in the upstream LNG procurement, the regulatory framework, the regasification market, and the transmission and distribution of RLNG to end consumers. It also assesses the likelihood of any anti-competitive practice at all levels of the value chain to see whether there is a level playing field for all players in the sector. Finally, it offers key recommendations to promote competition and efficiency in the sector. The Study highlights the following barriers to competition at all levels of the LNG value chain:

1. In the upstream market, the barriers are caused by the LNG contract price and the pricing model adopted by Pakistan State Oil (PSO) and the Pakistan LNG Limited (PLL).

2. In the midstream market, due to the regasification at the Engro Elengy Terminal Limited (EETL) and Pakistan Gasport Consortium Limited (PGPC) terminal at the high tolling tariff of \$ 0.479/MMBtu and \$ 0.4177/MMBtu, respectively (approx. \$250,000/per day), the Port Qasim charges of \$600,000/per vessel, and the handling of RLNG by SSGC resulting in higher network losses of SSGC.

3. Similarly, in the downstream market, the difference in the cost structure of natural gas versus RLNG price (ring-fenced pricing) resulting in a higher cost of production for the end consumers of RLNG as against the natural gas. Hence, putting the end consumers of RLNG at a competitive disadvantage.

Additionally, the competition assessment of the regulatory framework highlights the vagueness created around the classification of LNG and RLNG by the Federal Government, according to which RLNG is included in the list

of petroleum products. In contrast, the status of LNG is unclear, resulting in the non-exemption of LNG from Sindh Infrastructure Cess (SIC) as against its exemption on petroleum products resulting in a higher price of RLNG. Therefore, the Study's recommendations may not only lead to a more competitive, well-functioning, and efficient LNG market resulting in a better price for the end consumer but may also help the Federal Government to deal with the issue of balance of payment deficit.

Based on the international best practices, the Study recommends improving the pricing models adopted in the Sale Purchase Agreements (SPA) through alternate pricing arrangements, i.e. the S-Curve Model. This Model entails introducing price ceiling and floor in the contract price, which will safeguard the interest of both the seller and the procurer of LNG. The Study also recommends introducing spot market and natural gas hubs in the pricing model and renegotiating the contract price review period. Presently, in both the long term Sale Purchase Agreement (SPA), the price review is ten years. Renegotiating contract price review period will result in a more competitive and affordable price of LNG secured in the upstream LNG market.

In the midstream LNG/RLNG market, competitive tolling tariff and port charges will lower the price of RLNG. Therefore, the Study urges the SSGCL and SNGPL to improve their network for efficient RLNG handling.

The Report calls for amendments in the Public Procurement Regulatory Authority Rules to address the spot LNG purchase to lower the response time. Moreover, in the wake of depleting indigenous gas resources and rising energy import bills, the Study recommends a greater focus on renewable energy resources to meet the growing energy demand and energy sustainability.



09 Advocating the Law

§ 29 of the Act addresses Competition Advocacy. The Commission shall promote competition through advocacy which, among others, shall include creating awareness and imparting training about competition issues and taking such other actions as may be necessary for the promotion of competition culture.



Seminar at University of Swat

As part of the Academia awareness drive, a seminar was held at the University of Swat. Mr. Mehboob Ur Rehman, the University's Registrar, Mr. Amjad Hilal, Assistant Professor, Chairman Law and Sharia Department, faculty members and students of the Economics, Law, and Management Sciences attended the seminar.

The Commission's team comprising Member Advocacy & OFT, Dr. Shahzad Ansar, and DG Advocacy, Asfandiyar Khattak, gave presentations on the Law and answered questions from the participants.

Addressing the seminar, Mr. Amjad Hilal welcomed the CCP's initiative to create awareness of the competition law in the academic institutions of Pakistan.

Seminar at Abdul Wali Khan University, Mardan

Abdul Wali Khan University Mardan hosted a seminar, attended by Dr. Muhammad Azam Khan, Chairman Department of Economics, Dr. Javed Iqbal, Assistant Professor, Shah Hussain Awan, Deputy Director, QEC, along with senior faculty members and students.

The Commission's team explained the CCP's mandate to protect consumers and businesses from anti-competitive practices. Then, they explained the Law with the help of examples from the Commission's enforcement orders.

The students and faculty members took a keen interest in the presentations and actively participated in the questions and answers session. Dr. Azam Khan expressed his desire to include the module on 'Economics and Competition Law' in the university's curriculum.

Awareness Session with Nestlé Senior Management

Under its awareness programme, the Commission held an advocacy session with Nestlé's senior management. The Commission's team consisted of Member Advocacy & OFT Dr. Shahzad Ansar, DG Advocacy Mr. Asfandiyar Khattak, and Joint Director Legal, Ms. Sophia Khan.

Presentations by the Commission explained the key provisions of the Competition Act, CCP's Leniency programme, and compliance matters. The presentations ensued a healthy discussion. Nestlé appreciated the Commission's efforts to sensitise businesses on the pertinent issues.



CCP Member Dr. Shahzad Ansar giving away the 'Certificate of Compliance' to Freda Yahan Duplan, Chief Executive Officer and Managing Director, Nestlé

CCP on Twitter: @CCP_Pakistan

Keeping in view the importance of social media for improving public outreach, the Commission launched its official Twitter account to establish a direct link for better communication with the stakeholders and consumers.

Under its advocacy mandate, Commission keeps the general public informed about its performance in enforcement and advocacy through a user-friendly website and media coverage. The use of social media by Commission will further expand its outreach among the masses.

The Commission's official twitter account @ CCP_Pakistan is primarily for information dissemination and its followers shall instantly receive updates on enforcement actions, merger approvals, press statements, advocacy events, and information about other pertinent developments.



Capacity Building

World Bank Holds Training for CCP Officers

The World Bank held a two-day training workshop from 25 - 26 June 2019 to build the Commission's enforcement team's capacity on 'Dawn Raids.' The training covered topics such as "an overview on investigative methodology," "how to devise an investigative plan," "basic and covert investigative techniques used in conspiracy cases," "how to conduct a financial investigation," and "relationship building utilising behavioural based interviewing".

After the training, Ms. Georgiana Pop, Senior Economist and Competition Policy Specialist from the World Bank and the trainers held a meeting with the Chairperson to discuss the possible future collaboration. The Chairperson expressed her gratitude to the World Bank for organising the training.



▲ Chairman KFTC, Mr. Kim Sang-jo with CCP's officers

Country-specific fellowship program for Competition Agency

As part of a three-year capacity-building initiative under the International Cooperation Program of the Government of Korea, the Korean International Cooperation Agency (KOICA) and the Korea Fair Competition Federation (KFCF) jointly organised a country-specific fellowship program for the Commission from 5-18 August 2018 in Seoul, Korea. The program's purpose was to strengthen the Commission's capacity in competition enforcement,

economic analysis in research and mergers, advocacy and competition compliance, and the use of information technology in the enforcement work.

A batch of 10 senior and mid-level officers from the Commission's core departments of enforcement, advocacy, exemptions, information technology, and support services attended the program and learnt vital concepts in the areas mentioned above.



Orientation Session for
Strengthening the Competition Regime in Pakistan
پاکستان کی معیشت کی ترقی اور اس کی حمایت



KOICA Held Pre-Departure Orientation for 10 Commission's Officials

▲ His Excellency Kwak Sung-Kyu and Chairperson CCP, Ms. Vadiyya Khalil with participants at pre-departure orientation session

Korea International Cooperation Agency (KOICA) Pakistan held a pre-departure orientation session for 10 participants from the Commission for the Country-Specific Training Programme on "Strengthening the Competition Regime (Pakistan)" scheduled to be held in Korea from 5-18 August 2018.

Addressing at the occasion, Ambassador of the Republic of Korea to Pakistan, His Excellency Kwak Sung-Kyu, said that this training would strengthen the Commission's enforcement capacities, both in legal procedures and economic analysis of competition cases, investigatory methods

and in advanced economic theories. Moreover, the training course will allow the participants to share their experiences and learn from the Korean experts.

The Chairperson thanked the Korean Government, KOICA, and the Korean Fair Trade Commission (KFTC) for their support to the Commission. She also thanked the Economic Affairs Division and the Ministry of Finance, Government of Pakistan, for extending their support to the Commission's capacity building.



THE TRAINING

The training programme was divided around 15 technical sessions covering a range of topics on enforcement, advocacy, consumer policy in Korea, the Think Fair system of KFTC, the Compliance Programme, and economic analysis in the research and merger review process. The Commission's team also gave a detailed presentation discussing Pakistan's competition regime.

The trainers, who were senior-level staff of the KFTC, shared their expertise with the participants with the help of case studies. They also gave presentations on Korea's success stories in developing Bid Rigging System, "Think Fair", and Competition Compliance programme.

Apart from training, the programme

also included a visit to Korea's automobile giant, Hyundai, the historical places of Korea, and a city tour. The Commission's officers appreciated the hospitality extended by the officials of KFTC, KFCF and KOFAIR, and the logistical support and recreational tours.



▲ CCP's participants training at KFTC

10 International Affairs



Pakistan Chaired UNCTAD'S 17th Session of Intergovernmental Group of Experts on Competition Law and Policy in Geneva



Pakistan Chaired UNCTAD'S 17th Session of Intergovernmental Group of Experts on Competition Law and Policy in Geneva

The Competition Commission of Pakistan chaired the seventeenth session of the Intergovernmental Group of Experts on Competition Law and Policy held by the United Nations Conference on Trade and Development (UNCTAD) on 11-13 July in Geneva (Switzerland). Each year, an Intergovernmental Group of Experts (IGE) on Competition Law and Policy meets to discuss ways of improving worldwide cooperation on competition policy implementation and enhancing convergence through dialogue. For the first time, Pakistan was elected to chair the high profile UNCTAD conference. Pakistan's commitment to effective competition law enforcement and the CCP's active involvement in UNCTAD's activities contributed to this success.

In line with the agreed conclusions adopted by the Intergovernmental Group of Experts at its sixteenth session on 7 July 2017, the consultations at the seventeenth session focused on:

- Capacity-building activities and technical assistance implemented.
- Challenges faced by developing countries in competition and regulation in the maritime transport sector.
- Competition issues in the sale of audio-visual rights for major sports events.
- Voluntary peer review of the competition law and policy of Botswana.
- Reports on the UNCTAD Discussion Group on International Cooperation and the UNCTAD Repository of Best Practice Tools.

The United Nations Set of Principles on Competition provides the basis for intergovernmental consultations. The Intergovernmental Group of Experts (IGE) on Competition Law and Policy is a standing body established under the United Nations Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices (UN Set) to monitor the application and implementation of the Set. The UN Set is a multilateral agreement on competition policy, which was negotiated and adopted by General Assembly resolution 35/63 on 5 December 1980.

This is for the first time that Pakistan has been chosen to chair the high profile UNCTAD conference as a result of Pakistan's commitment to effective competition law enforcement



11 Financial Statements





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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COMPETITION COMMISSION OF PAKISTAN

Opinion

We have audited the financial statements of Competition Commission of Pakistan (the Commission), which comprise the statement of financial position as at June 30, 2019 and the Income and Expenditure account, statement of comprehensive income, the statement of changes in fund and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respect, the financial position of the Commission as at June 30, 2019 and of its financial performance and its cash flows for the year then ended in accordance with approved accounting and Financial Reporting Standards for Small and medium Sized Entities (IFRS for SMEs) issued by International Accounting Standard board (IASB) as adopted by Institute of Chartered Accountants of Pakistan (ICAP).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Member of the Commission are responsible for overseeing the Commission's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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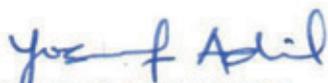
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Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the members of commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Accountants
Date: November 10, 2020
Islamabad

**COMPETITION COMMISSION OF PAKISTAN
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019**

	Note	2019 ----Rupees----	2018 ----Rupees----
ASSETS			
Non Current Assets			
Property and equipment	4	55,856,211	10,099,735
Long term loans, advances and deposits	5	57,426,223	55,149,341
		113,282,434	65,249,076
Current Assets			
Advances, prepayments and other receivables	6	152,905,014	117,551,995
Short term investments	7	362,607,712	333,416,274
Cash and bank balances	8	19,232,303	100,062,101
		534,745,029	551,030,370
TOTAL ASSETS		648,027,463	616,279,446
FUND AND LIABILITIES			
Deferred liabilities			
Pension fund	9	438,767,789	387,267,756
Leave encashment	10	33,275,283	28,702,878
Leave perpatutory to retirement	11	1,582,061	1,582,061
Gratuity	12	118,250,802	90,165,785
		591,875,935	507,718,480
Current liabilities			
Income tax payable	13	10,969,947	11,778,461
Accrued and other liabilities	14	9,727,253	13,055,498
		20,697,200	24,833,959
TOTAL LIABILITIES		612,573,135	532,552,439
NET ASSETS		35,454,328	83,727,007
REPRESENTED BY			
Fund account			
Accumulated Surplus		35,454,329	83,727,007
		35,454,329	83,727,007

CONTINGENCIES AND COMMITMENTS

16

The annexed notes from 1 to 22 form an integral part of these financial statements.

CHAIRPERSON

DIRECTOR GENERAL (FINANCE)

**COMPETITION COMMISSION OF PAKISTAN
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2019**

		2019	2018
	Note	----Rupees----	----Rupees----
Fee and regulatory income	17	118,579,110	279,450,935
Government grant		310,000,000	210,000,000
Total income		428,579,110	489,450,935
Operating costs	18	(456,073,240)	(410,697,789)
Other income	19	23,270,000	20,422,677
(Deficit) / Income before taxation		(4,224,130)	99,175,823
Provision for tax	13	(2,736,004)	(7,310,165)
(Deficit) / Income after taxation		(6,960,134)	91,865,658

The annexed notes from 1 to 22 form an integral part of these financial statements.


CHAIRPERSON


DIRECTOR GENERAL (FINANCE)

**COMPETITION COMMISSION OF PAKISTAN
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 ----Rupees----	2018 ----Rupees----
(Deficit) / Income after taxation		(6,960,134)	91,865,658
Other comprehensive income:			
Loss on remeasurement of pension fund	9	(41,312,544)	(9,207,404)
Total comprehensive (loss) / income for the year		<u>(48,272,678)</u>	<u>82,658,254</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

CHAIRPERSON

DIRECTOR GENERAL (FINANCE)

**COMPETITION COMMISSION OF PAKISTAN
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED JUNE 30, 2019**

Description	Reserves Rupees	Total Rupees
Balance as at June 30, 2017	1,068,753	1,068,753
Income for the year	91,865,658	91,865,658
Other comprehensive loss for the year	(9,207,404)	(9,207,404)
	<u>82,658,254</u>	<u>82,658,254</u>
Balance as at June 30, 2018	<u><u>83,727,007</u></u>	<u><u>83,727,007</u></u>
Balance as at July 01, 2018	83,727,007	83,727,007
Deficit for the year	(6,960,134)	(6,960,134)
Other comprehensive loss for the year	(41,312,544)	(41,312,544)
	<u>(48,272,678)</u>	<u>(48,272,678)</u>
Balance as at June 30, 2019	<u><u>35,454,329</u></u>	<u><u>35,454,329</u></u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

CHAIRPERSON

DIRECTOR GENERAL (FINANCE)

**COMPETITION COMMISSION OF PAKISTAN
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2019**

	2019 -----Rupees-----	2018 -----Rupees-----
CASH FLOW FROM OPERATING ACTIVITIES		
(Deficit) / Surplus before taxation	(4,224,130)	99,175,823
Adjustments for non-cash items:		
Depreciation	6,333,833	6,298,516
Profit on sale of fixed assets	(91,546)	(34,495)
Provision for gratuity	29,324,840	23,654,054
Provision for leave encashment	5,283,574	3,487,484
Provision for pension	37,367,762	39,465,920
Profit before working capital changes	73,994,333	172,047,302
Changes in working capital:		
Increase in Advances, prepayments and other receivables	(35,353,019)	(68,740,771)
Decrease in accrued and other liabilities	(3,328,245)	(1,776,905)
Decrease in Restricted Grant IDRC	-	(353,728)
	(38,681,264)	(70,871,404)
Payments from pension fund	(27,180,273)	(26,109,953)
Payment of gratuity	(1,239,823)	(8,520,287)
Payment of leave encashment	(711,169)	(2,239,185)
Payment of LPR	-	-
Income tax paid/adjusted	(3,544,518)	(2,819,054)
Net cash generated from operating activities	2,637,285	61,487,419
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in long term loans and advances	(2,276,882)	(14,460,087)
Increase in short term investments	(29,191,438)	39,785,224
Addition in fixed assets	(52,090,309)	(7,606,530)
Decrease in finance lease liability	-	-
Proceeds from sale of fixed assets	91,546	127,024
Net cash (used in) / generated from investing activities	(83,467,083)	17,845,631
NET CASH FLOW FROM FINANCING ACTIVITIES		
(decrease) / Increase in cash and cash equivalents during the year	(80,829,798)	79,333,050
Cash and cash equivalents at the beginning of the year	100,062,101	20,729,051
Cash and cash equivalents at the end of the year	19,232,303	100,062,101

The annexed notes from 1 to 22 form an integral part of these financial statements.

CHAIRPERSON

DIRECTOR GENERAL (FINANCE)

**COMPETITION COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

1 LEGAL STATUS AND OPERATIONS

The Competition Commission of Pakistan (the Commission) was established on 2nd October, 2007 under the Competition Ordinance, 2007 which was later transformed into Competition Act 2010. The Act sets out the principles and norms of sound competitive behavior as well as the manner in which these norms are to be enforced. It provides a legal framework in which a business environment based on healthy competition towards improving economic efficiency, developing competitiveness and protecting consumers from anti-competitive practices is to be created. The Head Office of the Commission is situated at 7th, 8th, 9th and 11th floor of ISE Building, Blue area, Islamabad.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. Approved accounting and reporting standards comprise of Accounting and Financial Reporting Standards for Small and medium Sized Entities (IFRS for SMEs) issued by International Accounting Standard board (IASB) as adopted by Institute of Chartered Accountants of Pakistan (ICAP).

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except recognition of employees benefit for pension plan at present value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Commission's functional and presentation currency.

2.4 Use of significant accounting estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgement about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and any future periods.

Judgements made by the management in the application of accounting policies that have significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.



**COMPETITION COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

3.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation/amortization and accumulated impairment in value, if any. Depreciation is charged on straight line method over the estimated useful life of the asset. Rates of depreciation are specified in note 4 to the financial statements.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Commission and the cost of the item can be measured reliably. All other repairs and maintenance costs that do not meet the recognition criteria are charged to income and expenditure account as and when incurred.

Depreciation/amortization is charged to income and expenditure account commencing when the asset is ready for its intended use, applying the straight-line method over the estimated useful life.

Depreciation on additions to property and equipment is charged from the year in which an item is put to use while no depreciation is charged for the year in which the item is derecognized/discharged off.

Assets are derecognized when disposed off or when no future economic benefits are expected to flow from its use. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized on net basis within "other income" in income and expenditure account.

3.2 Investments

Investments in debt instruments are initially measured at cost which approximates to fair value and are subsequently carried at amortized cost using the effective interest rate method less impairment loss, if any. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the investment to its net carrying amount.

3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cheques in hand and balances with banks.

3.4 Employee benefits

3.4.1 Pension fund

The pension is payable to employees of defunct Monopoly Control Authority (MCA). An employee is eligible for pension after the completion of qualifying service of ten years. In the event of death of an employee, whether before or after retirement, his family shall be entitled to receive such pension. No pension shall be admissible to an employee who is dismissed or removed from service for reasons of disciplinary actions. Provision is made annually to cover obligation under the scheme on the basis of actuarial valuation and is charged to income and expenditure account. The most recent valuation was carried out as at June 30, 2019 using the "Projected Unit Credit Method".



**COMPETITION COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

3.4.2 Provident fund

The Commission has established provident fund as per clause (2) of chapter (7) of the Competition Commission (Service) Regulations, 2007 provident fund (PF) and transfers all confirmed employees to this scheme. Equal monthly contributions are made both by the Commission and employees as per the rate 10% of the basic salary. The Commission's contribution to the scheme is charged to the income and expenditure account.

3.4.3 Staff gratuity

The Commission operates an unfunded staff gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made annually to cover the obligation under the scheme and is charged to income and expenditure account.

The amount of gratuity obligation to an employee, shall be the sum equal to one month's last drawn gross salary immediately preceding the date of his ceasing to be in the service of the Commission or his death, for each completed year of service in the Commission. Current year obligation has been measured using last drawn gross salary of all eligible employees of the Commission.

3.4.4 Leave encashment

The Commission provides for compensated absences of its employees on unavailed balance of accumulated leaves in the period in which the leave is earned. Accrual to cover the obligations is made using the current salary levels of the employees.

3.5 Provisions

Provisions are recognized when the Commission has a present legal or constructive obligation as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

3.6 Revenue recognition

Revenue is recognised to the extent that the economic benefits will flow to the Commission and revenue can be reliably measured. Revenue is recognised at fair value of consideration received or receivable. Revenue from different sources is recognised on the following basis:

Unrestricted grant from government are accounted for on receipt basis.

Income from fee and regulatory income are accounted for on accrual basis.

Profit on investments is accrued on the basis of effective yield of respective investments.

Profit on savings accounts is recognised on accrual basis.

Restricted grants received are deferred and recognised as income on systematic basis to match them with the related expenses which are intended to be compensated.

3.7 Foreign Currencies

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the dates of transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rate prevailing on the reporting date. Gains and losses arising on retranslation are included in income and expenditure account for the year.

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3.8 Taxation

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates, losses and exemptions available, if any.

Deferred tax is not recognized as the management of the Commission is not certain about the future taxable profits.

3.9 Contingencies

The Commission has disclosed significant contingent liabilities for the pending litigations and claims against the Commission based on its judgement and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the reporting date. However, based on the best judgement of the Commission and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the reporting date.

3.10 Impairment

The Commission assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of profit or loss except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of depreciation/amortization) had no impairment loss been recognized for the asset in prior years. Reversal of impairment loss is recognized in statement of profit and loss.

3.11 Government Grant

Government Grant has been received for operational and support activities of the commission.



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5 LONG TERM LOANS AND DEPOSITS	Note	2019	2018
		-----Rupees-----	-----Rupees-----
Loans to employees	5.1	52,998,073	50,721,191
Security deposits		4,428,150	4,428,150
		<u>57,426,223</u>	<u>55,149,341</u>
5.1 Loans to employees- considered good			
Opening balance		65,445,587	51,054,341
Addition during the year		17,944,604	29,677,006
Recovery during the year		(14,939,226)	(15,285,760)
Closing balance		68,450,965	65,445,587
Short term portion of loans to employees- considered good		(15,452,892)	(14,724,396)
		<u>52,998,073</u>	<u>50,721,191</u>

5.1.1 Loans to employees include loan for house building, house rent and general purpose provided to employees as per chapter (6) of the Competition Commission (Service) Regulations, 2007 Loans and Advances.

6 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	Note	2019	2018
		-----Rupees-----	-----Rupees-----
Short term portion of loans to employees		15,452,892	14,724,396
General provident fund advance		80,589	80,589
Staff and Other advances		3,096,025	1,058,725
Prepayments	6.1	82,689,467	63,949,468
Interest receivable- loan to employees		367,470	367,470
Other receivable	6.2	51,218,571	37,371,347
		<u>152,905,014</u>	<u>117,551,995</u>

6.1 It includes the amount Rs. 81.7 million (2018: 63.2 million) paid as prepaid rent for the year 2019-2020 for 7th, 8th, 9th and 11th floors of Islamabad Stock Exchange tower.

6.2 This includes an amount of Rs. 47.3 Million recognized on account of income tax withheld by the income tax authorities which has further been explained in note 16.1.2 to the financial statements.

7 OTHER FINANCIAL ASSETS

Term deposit receipts	7.1	355,000,000	330,000,000
Interest receivable on investment- considered good		7,607,712	3,416,274
		<u>362,607,712</u>	<u>333,416,274</u>

7.1 This represents the investment made in TDR's during the year amounting to PKR 150 million, PKR 60 million, PKR 50 million, PKR 50 million and PKR 45 million respectively at various profit rates provided by bank. Short Term Deposits carry interest at effective annual rates ranging between 5.70 % to 11.40 % (2018: 5.70% to 5.75%) with maturities ranging from one to six months from the reporting date.

8 CASH AND BANK BALANCES	2019	2018
	-----Rupees-----	-----Rupees-----
Cash in hand	17,651	10,822
Cash at bank:		
-Current account	19,070,526	98,831,793
-Deposit account	144,126	1,219,486
	<u>19,232,303</u>	<u>100,062,101</u>

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9 PENSION FUND	2019	2018
	-----Rupees-----	-----Rupees-----
Opening balance	387,267,756	364,704,385
Charge to expense for the year	37,367,762	39,465,920
Charge to other comprehensive income	41,312,544	9,207,404
Payments made during the year	(27,180,273)	(26,109,953)
Closing balance	<u>438,767,789</u>	<u>387,267,756</u>
9.1 Pension fund relates to the employees of MCA (Monopoly Control Authority) who join CCP when the commission was established.		
	2019	2018
	-----Rupees-----	-----Rupees-----
9.2 Charge for defined benefit obligation		
Current service cost	-	1,663,609
Net interest cost	37,367,762	37,802,311
Net actuarial loss recognised	41,312,544	9,207,404
	<u>78,680,306</u>	<u>48,673,324</u>
9.3 Actuarial Assumptions		
Valuation discount rate	14.50%	10.00%
Salary increase rate	10.00%	10.00%
Expected return on plan assets	10.00%	10.00%
Pension indexation factor	7.00%	7.00%
Mortality rate	SLIC	SLIC
	2001-2005	2001-2005
9.4 Actuarial Evaluation has been carried out at June 30, 2019 by Awar Associates. The report was dated on February 17, 2019.		
	2019	2018
	-----Rupees-----	-----Rupees-----
10 LEAVE ENCASHMENT		
Opening balance	28,702,878	27,776,507
Expense for the year	5,283,574	3,487,484
Payments made during the year	(711,169)	(2,561,113)
	<u>33,275,283</u>	<u>28,702,878</u>
10.1 The gross salary for computation of Provision for Leave Encashment includes basic pay, personal pay and fixed allowances as per Appendix of CCP (Service) Regulations, 2007.		
	2019	2018
	-----Rupees-----	-----Rupees-----
11 LEAVE PREPARATORY TO RETIREMENT		
Opening balance	1,582,061	1,582,061
Less: Payments made during the year	-	-
	<u>1,582,061</u>	<u>1,582,061</u>
	2019	2018
	-----Rupees-----	-----Rupees-----
12 GRATUITY		
Opening balance	90,165,785	75,304,001
Expense for the year	29,324,840	23,654,054
Payments made during the year	(1,239,823)	(8,792,270)
	<u>118,250,802</u>	<u>90,165,785</u>
12.1 The gross salary for computation of Provision for gratuity includes basic pay, personal pay and fixed allowances as per Appendix of CCP (Service) Regulations, 2007.		

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	2019 -----Rupees-----	2018 -----Rupees-----
13 INCOME TAX PAYABLE		
Opening balance	11,778,461	7,287,350
Less: Tax paid/adjusted during the year	(1,531,450)	(856,367)
Tax deducted at source during the year	(2,013,068)	(1,962,687)
	(3,544,518)	(2,819,054)
Provision for income tax - current year	2,736,004	7,310,165
	<u>10,969,947</u>	<u>11,778,461</u>
14 ACCRUED AND OTHER LIABILITIES		
Accrued expenses	4,522,369	7,174,020
Withholding tax payable	2,219,884	515,333
Other liabilities	2,985,000	5,366,145
	<u>9,727,253</u>	<u>13,055,498</u>

14.1 Other liabilities include, an amount of Rs 1.85 million (2018: 2.89 million) payable to AGPR related to general provident fund of MCA employees who did not join CCP after its establishment.

15 DEFERRED TAX ASSET

In view of the uncertainty of taxable profits in the foreseeable future against which the tax losses could be utilized due to reasons explained in policy notes to these financial statements, the Commission has not recognized deferred tax asset of Rs 173.7 million.

The aggregate tax losses available to the Commission for set off against future taxable profits at June 30, 2019 amounted to Rs 6.2 million.

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

16.1.1 Several legal litigations are pending adjudication in the Superior Courts against the actions taken or orders passed by the Commission. Recovery of exact amount of penalties imposed by the Commission will be determined after the decisions of the said cases by the superior Courts whereby the Courts can uphold, set aside or reduce the penalty. All penalties & fines recovered shall be credited to the Public Accounts of the Federation u/s 40(8) of the Competition Act 2010 .

16.1.2 The Commission's assessment for tax year 2012, 2014 and 2015 have been amended by tax department creating income tax demand of Rs. 18,011,482, Rs. 22,061,069 and Rs. 33,585,287. The major amendment consisted of charging tax on government grant, which was declared as exempt by the Commission. First appeals furnished by the Commission before Commissioner Inland Revenue (Appeals) have been rejected. The commission has submitted second appeals before Appellate Tribunal Inland Revenue (ATIR), which are pending for adjudication. While pendency of appeals, tax department has coercively recovered Rs. 33,585,287 and Rs. 13,847,224 out of the demand of tax year 2015 and 2014 respectively through attachment of bank accounts. The Commission filed an appeal against this decision in Islamabad High Court (IHC), consequent to which, IHC ordered for the case to be heard in ATIR. As per the Commission's income tax advisor, a favorable outcome of the appeal is likely.

COMPETITION COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
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16.2 Commitments

There is no material capital commitment as at June 30, 2019 (2018: Nil).

17 FEE AND REGULATORY INCOME	Note	2019	2018
		-----Rupees-----	-----Rupees-----
Fee income	17.1	118,579,110	132,247,024
Fee from Security and Exchange Commission of Pakistan	17.2	-	147,203,911
		<u>118,579,110</u>	<u>279,450,935</u>
17.1 Fee income			
		2019	2018
		-----Rupees-----	-----Rupees-----
Acquisition fee		93,788,660	112,799,524
Exemption fee		15,745,316	12,000,000
Merger/amalgamation fee		300,000	1,800,000
Joint Venture Fee		7,500,000	4,500,000
Complaint lodging fee		1,060,434	915,000
Advice fee		100,000	-
Statement showing fee		51,100	207,500
Copying fee		33,600	25,000
		<u>118,579,110</u>	<u>132,247,024</u>

17.2 Under Section 20(2)(f) of the Competition Act, 2010 read with S.R.O 1292(I)/2008 dated 23-12-2008, a statutory charge of 3% of the fee and charges collected by the Securities and Exchange Commission of Pakistan (the SECP), the National Electric Power Regulatory Authority (the NEPRA), the Oil and Gas Regulatory Authority (the OGRA), the Pakistan Telecommunication Authority (the 'PTA'), and the Pakistan Electronic Media Regulatory Authority (the 'PEMRA') is payable to the Commission. The Commission has consistently and persistently followed up payment with all regulatory bodies. The regulatory bodies have not yet paid the statutory charge to the Commission. However, SECP has not made any payment as at June 30, 2019 (2018: Rs 147.2 million) to the Commission in respect of the said statutory charge.

18 OPERATING COSTS	2019	2018
	-----Rupees-----	-----Rupees-----
Salaries and benefits	334,627,414	302,448,204
Travelling and conveyance	2,762,302	6,988,885
Rent for office building	68,289,033	57,123,148
Office building services charges	6,422,849	7,821,309
Communications	5,764,054	4,001,837
Utilities	5,119,135	6,544,659
Printing and stationery	2,227,302	2,097,144
Legal and professional charges	13,335,000	4,360,000
Fee and subscription	931,034	1,406,641
Advertisement and publicity	2,736,938	4,004,131
Conference, workshop and seminar	13,995	238,200
Repair and maintenance	1,540,044	884,297
Office supplies	537,961	790,523
Newspaper and periodicals	651,735	581,887
Insurance of vehicles	41,340	-
Security	2,540,392	1,852,843
Audit fee	230,000	420,000
Bank charges	8,892	6,122
Depreciation	6,333,832	6,298,516
Entertainment	784,617	1,038,324
Miscellaneous expenses	1,175,371	1,791,119
	<u>456,073,240</u>	<u>410,697,789</u>

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	2019 -----Rupees----	2018 -----Rupees----
19 OTHER INCOME		
Gain on sale of fixed assets	91,546	34,495
Interest income on investment	23,002,853	18,878,940
Miscellaneous income	175,601	1,509,242
	<u>23,270,000</u>	<u>20,422,677</u>
20 NUMBER OF EMPLOYEES	2019 -----Numbers----	2018 -----Numbers----
Total number of employees at year end	148	144
Average number of employees during the year	151	151

21 GENERAL

21.1 All above figures are rounded off to the nearest rupee.

21.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison.

22 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements are authorized for issue by the members of the Commission on Nov 9, 2020


CHAIRPERSON


DIRECTOR GENERAL (FINANCE)



Competition Commission of Pakistan

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