

Mission Statement

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 anticompetitive behaviour.



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5 YEARS - ON CHANGING THE MIND-SET

*Message by Chairperson,
Rahat Kaunain Hassan*



The Commission's annual report provides a welcome opportunity to share my thoughts with all those who are interested in the work we do, who are affected by it, and are curious to know more. 2012 marks the fifth anniversary of the Commission and it is an appropriate time to look back and evaluate all that we have done.

Be it through our fearless enforcement actions or our forceful and broad based advocacy for competition policy, CCP has always been striving to change the mind-set of economic actors in Pakistan.

As noted by OECD, "the mandate of the competition office extends beyond merely enforcing the competition laws. It must assume the role of competition advocate, acting proactively to bring about government policies that lower barriers to entry, promote deregulation and trade liberalization, and otherwise minimize unnecessary government intervention in the marketplace."¹

Competition policy and competition law enforcement, thus, is a way of organising our economy, more efficiently and more in sync with consumers' needs as well as a form of regulation that may have to compete with other regulatory structures that sometimes work against the "free market" principle.

The question before us every day is: What are the most effective ways to change the mind-set to encourage greater competition? Of course, enforcement is the most important tool. The Commission remains committed to aggressive, yet, fair, open, and transparent enforcement of the

¹OECD, Competition Advocacy: Challenges for Developing Countries, 2004



competition law. That we were selected amongst top 5 out of 42 agencies for the Agency of the Year GCR Enforcement Award 2012 in the region of Asia Pacific, Middle East and Africa is a measure of our having discharged this function effectively.

Notwithstanding that enforcement is a most important tool; it must be supplemented by broad-based yet effective advocacy. By holding seminars or national and international conferences or holding interactive sessions and organizing talks on relevant competition issues, and where required, issuing policy notes to the Government or sector specific regulators, CCP engaged in propagating the benefits of competition and encouraging stakeholders to eschew anti-competitive conduct, uphold competition values, and proceed on the basis of rational commercial conduct as opposed to exploitative modes of operation. It is also necessary that these awareness raising efforts are extended to all executive authorities and to the extent possible to legislators in an effort to ensure that the measures taken or to be taken by them do not violate norms of competition. Over these years, we have made considerable efforts to defend market principles by trying to change the mind-set of those concerned and we will continue doing so. The Global Competition Review observes that “the media has embraced the commission as a driven and effective enforcer in a country where the population feels big business and vested interests often trump ordinary peoples’ needs.” It is further mentioned that “Observers see the CCP as proof that developmental and political problems need not hamper the creation of a dynamic competition agency in developing countries, as long as they are able to secure autonomy and they are staffed by driven, independent people.” In short, competition law is now well grounded in Pakistan and the growing number of pro-competition advocate, within the Commission and from outside, comprising a diverse range of stakeholders.

I would like to say that advocacy does not simply mean badgering people about the virtues of competition but more importantly and necessarily, it entails extensive research and the issuance of carefully crafted decisions, reports, and opinions, in particular when a legislative or executive authority or perhaps a court of law is being persuaded to adopt a more pro-competition stance. This is something we have done and must continue to do.

The Commission’s advocacy and communication strategy now focuses more on “knowledge-based advocacy.” We seek awareness of the competition law and its importance in defining the equitable parameters of economic activity to those actors who can affect it or be affected by it. We issued a Voluntary Code of Competition Compliance for greater awareness of the business community. These are simple steps with substantial impact.

“ *The Commission remains committed to aggressive, yet, fair, open, and transparent enforcement of the competition law. That we were selected amongst top 5 out of 42 agencies for the Agency of the Year GCR Enforcement Award 2012 in the region of Asia Pacific, Middle East and Africa is a measure of our having discharged this function effectively.* ”

“ *People feel comfortably ensconced in their business niche and resist change. Even those who see real benefits accruing from the enforcement of the law in due course often suffer from inertia and do not come out in full support.*

“ *Changing mind-sets for the acceptance and promotion of a competition regime is a complex and difficult process and outright victories are relatively rare.*

What are some of the challenges that the Commission faces in changing mind-sets? First, the parochial bias that government agencies create hurdles rather than resolves issues for the private sector. Second, widespread lack of appreciation of competition law and the benefits it will bring to consumers and the business community, in particular small and medium scale enterprises. In the case of developing countries this lack of understanding is chronic due to low literacy rate, inadequate attention by media towards economic issues. Third, turf issues with the sector specific regulators, which certain vested interests may unduly emphasize to maintain unfair advantage or by creating the impression that the law may be used against the “small guy” or in favour of the “big guy” or that bigger enterprises may unjustly become prime targets. Fourth, almost zero recognition that anti-competitive behaviour is deep rooted and any move towards change – a more competitive economy - is disruptive. People feel comfortably ensconced in their business niche and resist change. Even those who see real benefits accruing from the enforcement of the law in due course often suffer from inertia and do not come out in full support. Fifth, the media, whether print or electronic, is generally stating less devoted to offering time and space to capture issues of economic interests and impact.

Changing mind-sets for the acceptance and promotion of a competition regime is a complex and difficult process and outright victories are relatively rare. It is not like having a painkiller that may affect overnight or a thermometer that reflects the temperature instantly. We endeavour to keep the media fully apprised and have been very forthcoming to keep the business community and public at large dully informed of the work we are doing. It is this transparent and consistent approach that is helping in changing the mind-set and generating wider understanding and appreciation for our actions.

I believe that CCP offers noteworthy indicators of effectiveness for competition agencies of developing countries. Be it achieving cooperation of businesses to our increasing number of search and inspections from out right refusal or resistance or successfully extending the scope of search from associations to companies; or receiving commitments for compliance from businesses, including, deposit of penalties or receiving the leniency applications - a multinational’s leniency application – has been termed as a ‘phenomenal achievement’ and a ‘regulatory breakthrough’ or be it achieving 100% compliance in OFT cases in pursuing our mandate to prevent deceptive marketing or the increase in the number of merger and exemption applications or undertakings seeking advice or even matters being referred by various Ministries or Government departments; or visible strengthening of strategic partnership with consumer protection associations, or timely issuance of policy notes on critical issues and the meaningful support extended by the media in the dissemination of CCP’s work or global recognition received in the

last 2 years for its enhanced enforcement and effective management – each renders a critical lesson amid continuing financial constraints and legal challenges, and the resolve at CCP to effect ‘change’. A rigid or cynical view may distort one’s perception of the impact of our actions in light of the cases pending in the courts. We totally recognize the importance of judicial endorsement for consumers in creating deterrence against anticompetitive behavior and adding to the agency’s effectiveness. However, we must not overlook the gamut of cases that never make it to the courts because of our timely interventions and the direct benefit that ensues to the consumers or the public at large. We believe that our enforcement decisions and effective advocacy has led businesses reverting to corrective behavior and its importance can not be undermined.

Internationally, we have actively participated in various international fora namely, International Competition Network, the OECD, GCR and the UNCTAD as we consider exchange of ideas pivotal to effective enforcement and highlighting our role and presence globally. We are also committed to becoming internally robust and for this reason for the last three years we have been submitting ourselves to an international third party evaluation and have even volunteered and requested for peer review which will evaluate our 5 year performance with recommendations to enhance our effectiveness that will be shared in the Intergovernmental Group of Experts meeting – UNCTAD in July 2013 (before 52 countries). Competition advocates have had many victories the world over in the last few decades; the intellectual debate: economic and legal experts around the globe increasingly recognise the benefits of competition to consumers and to the economy as a whole; the legal debate: Courts now recognise the importance of efficiency and robust competition in business conduct and merger and acquisition activities.

Lastly, and perhaps most critically, we are asserting our position in the policy debate in many sectors of the economy: from banking to telecom to health to education to energy and so on. We must appreciate that for the Government, the commitment to pro-competition principles and ethos already exists in the form of the dynamic Competition Act that has been enacted after much deliberation and I am proud to have been of able to assist the parliamentary committees in this regard. I strongly believe that it is at the designing stage of any policy that the competition assessment must be allowed and carried out by the competition agency in consultation with the sector specific regulator (if any); rather than raising or addressing competition concerns after issuance of such policies. We must recognize that sooner the businesses realize the value of competition; the better it will be reflected through the growth of our economy; enhancing economic efficiency – a target to be desired and pursued by all economic actors, including CCP.

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QUOTABLE QUOTES





Timothy J. Muris
*Former Chairman,
 Federal Trade Commission*

Competition policy is more than enforcement - it is a way of organizing our economy.



George Hammond

Resorting to lying or cheating in any competition amounts to conceding defeat.



Toba Beta
Indonesian Poet & Author

Competition is a rude yet effective motivation.



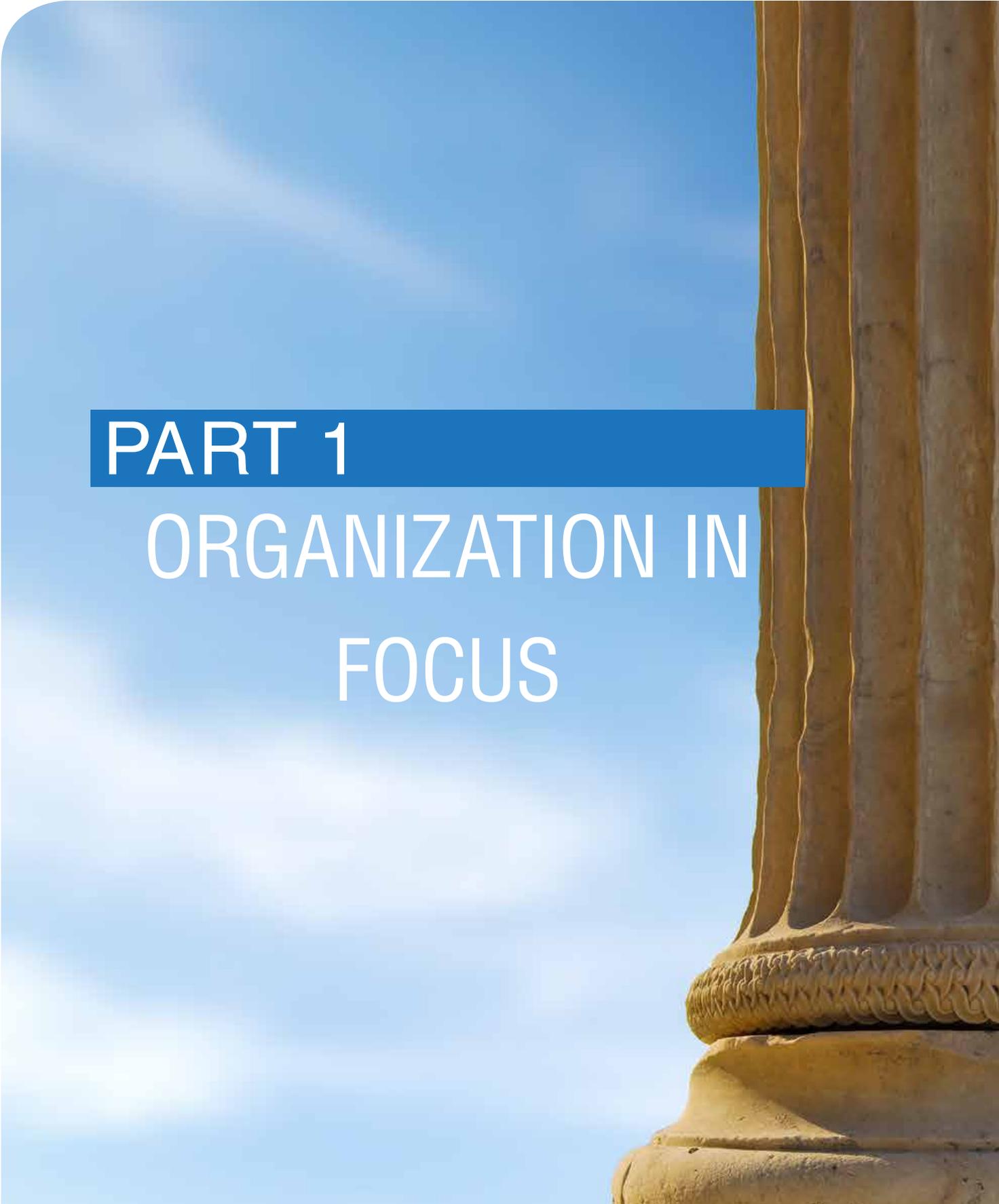
Jeff Bezos
American Entrepreneur

If we can keep our competitors focused on us while we stay focused on the customer, ultimately we'll turn out all right.



Lorii Myers
Entrepreneur

When healthy competition prevails -- you come out to play and you play to win.



PART 1

ORGANIZATION IN FOCUS

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CHAPTER 1: THE COMMISSION AS ON JUNE 30, 2012

All areas of CCP's workforce make a vital contribution to our overall vision.

Ms. Rahat Kaunain Hassan

Chairperson



Ms. Rahat Kaunain Hassan is the second and current Chairperson of the Competition Commission of Pakistan since July 2010.

Previously, she served as Member (Legal and Office of Fair Trading) in the Commission since its establishment in November 2007. It was her interest in and commitment to public service that resulted in her accepting the nomination as Member of CCP in November 2007. As Member, she was instrumental in the establishment of the Office of Fair Trading within CCP, and authored numerous position papers, guidelines, policy notes regarding important issues of competition law and policy. Moreover, she has co-authored most of the important Orders passed by the CCP of which some have resulted in breaking the most pernicious cartels in Pakistan.

In 2001, Ms. Hassan was appointed General Counsel/Executive Director at the Securities and Exchange Commission of Pakistan. After leaving the SECP in 2003, she established her own law firm focused on civil, commercial, and regulatory law.

Ms. Hassan received her Master's degree in law (LL.M.) from King's College, London, having concentrated her academic work on the law of international finance and international business transactions. She has been associated with and has been a partner at some of Pakistan's finest civil and commercial law firms.

A mother of four, Ms. Hassan has been a high achiever in her field, and in recognition of her commitment to public service received the Women of Achievement Award, 2010. She has also been nominated for the Sitara-e-Imtiaz.

Mr. Abdul Ghaffar

Member



Mr. Ghaffar has been associated with both of Pakistan's competition agencies since 2002. He served as Member of the Monopoly Control Authority and then became a Member of the Competition Commission of Pakistan in October 2007. He was actively involved in drafting the new competition law and restructuring of the Monopoly Control Authority of Pakistan in his capacity as a member of the Steering Committee for Competition Policy, headed by the then-Secretary Finance.

On completion of his first three-year term, he was reappointed as Member for another three years. As Member, Cartels and Trade Abuses of the Commission, he has taken several landmark decisions in cases relating to cartels, mergers and acquisitions.

Mr. Ghaffar has over 39 years of experience in administration, public policy, finance, accounts, taxation, corporate laws, strategic studies, and

competition and consumer protection laws. For over thirty years, he served in the Federal Board of Revenue in various capacities dealing with administration of all direct taxes (Income Tax, Capital Tax, Gift Tax, Capital Value Tax) as well as Sales Tax. Earlier in his career, he gained expertise in international dimensions of taxation laws while actively negotiating Pakistan's conventions of avoidance of double taxation of income with a number of developed and developing countries. Before joining government service, he was a practicing lawyer as member of Lahore District Bar.

Mr. Ghaffar has a Bachelor's in Science B.Sc. (Physics & Maths) degree from Government College Lahore, an LL.B degree from University College Lahore, and a Masters in Science M.Sc. degree from Quaid-e-Azam University Islamabad.

Dr. Joseph Wilson

Member



With over 19 years experience of practice, teaching and research in regulatory laws, Dr. Wilson has been serving as Member at the Competition Commission of Pakistan since the Commission's establishment in 2007. He was responsible for the Monopolies and Trade Abuses Department for the first two years, and now oversees the Mergers & Acquisitions, and International Affairs Departments.

Prior to joining the Commission, he was an Associate Professor of Law at the Lahore University of Management Sciences (LUMS), Pakistan, where he taught "competition law" in addition to other courses. He has presented at various international conferences, published in international law journals and authored a book

title "Globalization and the Limits of National Merger Control Laws (published by Kluwer Law International).

Before joining LUMS, Dr. Wilson taught at McGill's Faculty of Law, Montreal Canada, from where he earned Doctor of Civil Law (D.C.L.) with Deans Honour List and Masters of Law (LL.M.). He also holds an LL.M. from the University of Georgia, USA. He is a member of the State Bar of New York, USA and Lahore High Court Bar, and also serves on the International Advisory Board of the Loyola University Chicago's Institute for Consumer Antitrust Studies, USA.

Mr. Mueen Batlay

Member



Mr. Batlay, Member (Competition Policy and Research), has worked in the fields of investment banking, international development, consulting, education and public policy in Pakistan and overseas for over 20 years.

Mr. Batlay joined the Commission in January, 2011, and is focused on building the capacity of the Competition Policy and Research Department to enable the Commission to assist the government in shaping a Competition Policy that is in line with the true spirit of competition as envisioned in the Competition Act, 2010. In addition, he is strengthening the department's research capabilities to produce policy notes, competition assessments and regular publications to assist the Commission in its work.

Prior to joining the Commission, Mr. Batlay managed an investment advisory and a consulting firm, Capital Resource. His assignments included project finance, advisory and public private partnership projects at Samba Bank, Pakistan; private sector development, privatization, and capital market development

at the World Bank, USA; education policy and public schools system management for the city of Washington DC, USA; and economic reform management for the Government of Sindh. While at the World Bank, he advised the governments of Sri Lanka and Jordan in developing their privatization programmes and worked to strengthen capital markets globally. With the Government of Sindh, he channelled the efforts of multiple public private taskforces to develop and implement an economic reform program for the province. At Citibank, he worked on privatization advisory and on developing term finance certificates - the first corporate bonds of Pakistan. For Washington DC schools, he initiated the student tracking and database management programs.

Mr. Batlay holds a Master of Public Policy (MPP) with emphasis on international trade and finance from the Kennedy School of Government at Harvard University.

Ms. Vadiyya Khalil

Member



Ms. Khalil joined the Competition Commission of Pakistan in February 2010 as Member Mergers & Acquisitions and was given the additional charge of Advocacy in July 2010. Currently, she is overseeing the Commission's Advocacy and Information Technology departments.

Ms. Khalil has over 20 years of experience in corporate and commercial banking at international and national banks including Credit Agricole, ANZ Grindlays, MCB Bank Limited, National Bank of Pakistan, and Askari Commercial Bank.

Ms. Khalil has been an instrumental contributor in the success of several key projects. Her last assignment prior to joining the Competition Commission of Pakistan was Chief Credit Officer and Country Head of Corporate Banking at Askari Bank. In the CCO role, she examined proposals from the Corporate, Commercial, SME,

and Investment banking sectors of the bank and was the Mandatory Signatory to the Head Office Credit Committee. She was also responsible for contestation and compliance issues with the State Bank of Pakistan.

She has a Masters Degree in Management Sciences from the University of Kent, United Kingdom and specialized in Corporate Strategy, Operations Research, Techniques of Management, Marketing, and Global Modelling. In addition, Ms. Khalil has studied Italian Language and Literature at the University of Perugia, Italy and holds a Diploma in French from Alliance Francaise, Paris. She has also attended various courses on Leadership, Mergers and Acquisitions, and analysis.

Mr. Shahzad Ansar

Member



Mr. Ansar is predominantly a private sector entrepreneur with over 27 years' in management, business development and project finance. Since February 2011, he is responsible for the activities of the Office of Fair Trading and Budgetary Affairs Department of the Commission.

Before joining the Commission, Mr. Ansar held the CEO positions at Furniture Pakistan, a subsidiary of Pakistan Industrial Development Corporation, a thermal power plant, and was the head at World Water Corporation USA for its operations in Pakistan. As a businessman, he managed two industrial units from their inception to full-scale operation. He has been actively involved in trading with companies based in Singapore, Malaysia, USA, Canada and China, and holds strong ties with international players in the energy and commodities sectors. He has also been involved in consultancy projects in the fields of SME management, micro-financing and

energy. He has substantial experience in dealing with international financial organisations such as the World Bank.

On the academic front, Mr. Ansar has been associated with the Virtual University and the Ministry of Information Technology as a resource person. He was the Dean of Management Sciences at the University of South Asia while being a visiting faculty member at University of Central Punjab and Civil Services Academy.

Mr. Ansar holds a Masters degree in Engineering Geology from Institute of Geology, University of the Punjab. He is Fellow at Trinity College and a certified SME manager in the Doctorate category from Cambridge Association of Management.

Mr. Mohammed Hayat Jasra

Secretary



Mr. Jasra was appointed as Secretary to the Commission on 12 November 2007, the date the Commission was established. Mr. Jasra holds Masters Degree in Economics and an L.L.B (Honours) degree. He is Fellow Member of the Institute of Cost and Management Accountants and is also Member of the Institute of Charter Secretaries & Administrators, UK.

Mr. Jasra has an extensive experience of 26 years in different senior positions at Securities and Exchange Commission of Pakistan. He was working with SECP as its Secretary and

also Executive Director (Law), when he sought retirement on personal grounds from SECP. Mr. Jasra has rendered valuable services to the Commission as Secretary and also as Legal Expert. Apart from his duties as Secretary, he assisted the Commission by drafting all the Regulations and the Rules framed under the Competition Ordinance/Act and also notifying in the Gazette of Pakistan, all the important decisions of the Commission.

Mr. Ikram-ul-Haque Qureshi

Registrar



Mr. Qureshi serves as both the Registrar and as Director General in the Commission. His current job responsibilities include serving as head of the legal department, by giving legal opinions in various competition matters and providing assistance to the adjudicating Members in research and analysis of legal issues, and implements the Competition Act 2010 with respect to preventing or penalizing deceptive marketing practices. He also fulfils the role of the Registrar to Commission, supervising all CCP litigation in the courts.

A lawyer by profession, he has significant work experience in two regulatory agencies and both public and private sectors, in addition to teaching experience at the graduate level. Prior to joining CCP, Mr. Qureshi was Senior Legal Advisor to the Infrastructure Project

Development Facility at the Ministry of Finance, served as Deputy Legal Advisor at Pakistan Telecom Ltd (PTCL), and also held the position of Joint Director (Law) at the Securities and Exchange Commission of Pakistan. In these positions, he provided timely and relevant legal services to each private or public entity, to ensure compliance with the laws of Pakistan. Mr. Qureshi also has significant private sector experience as he has also worked in private law firms of International recognition in Islamabad, and has also taught at the College of Financial and Management Sciences and in the MBA Program at Iqra University.

He has a master's degree of LL.M (Corporate Law), a bachelor's degree of L.L.B (Honours), and from USA a B.A. degree in Criminal Justice.

ORGANIZATION CHART



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CHAPTER 2: MINISTRY OF FINANCE

The Ministry of Finance is the key federal agency responsible for the economic and financial management of the country.



It is the shared vision of the Ministry of Finance and the Competition Commission of Pakistan to promote economic growth and to foster the necessary ingredients for a vibrant economy.

The Ministry of Finance is the key federal agency responsible for the economic and financial management of the country. Its domain extends to important financial matters such as the preparation of the annual budget for the consideration and approval of Parliament. In so doing, the Ministry focuses on broader areas relating to financial and fiscal policy including economic growth, economic stabilization, inflation, poverty reduction, public debt management and economic reforms.

For administrative purposes it also serves as the parent Ministry of some federal agencies that include the Competition Commission of Pakistan.

It is the shared vision of the Ministry of Finance and the Competition Commission of Pakistan to promote economic growth and to foster the necessary ingredients for a vibrant economy.

Dr. Abdul Hafeez Shaikh

Federal Minister



Dr. Abdul Hafeez Shaikh is the Federal Minister for Finance and Economic Affairs. He is an economist with over 30 years of experience in economic policy making, management and implementation.

Dr. Shaikh had a highly successful tenure as Minister for Finance, Planning & Development in the Sindh Province during 2000-2002. He was the architect of the financial recovery of Sindh, restoring financial discipline to the province and reducing taxes while increasing revenue collection and increasing the budgetary allocation for poverty alleviation and the social sector.

He served as Advisor to the Prime Minister for Privatisation & Investment in 2002 to 2003. From 2003 to 2007, he served as the Federal Minister for Privatisation & Investment. In 2010, he was appointed as Advisor with the status

of Federal Minister to the Prime Minister on Finance, Revenue, Economic Affairs, Statistics and Planning & Development.

In recognition of his contributions to the country, in 2004 Dr. Shaikh was termed Pakistan's "Man of the Year" by the business community.

As a Member of the Senate of Pakistan, he was Chairman of the Senate's Committee on the World Trade Organization. Dr. Shaikh's international experience includes assignments 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 is a Ph.D. in Economics and has many publications to his credit.

Mr. Abdul Wajid Rana

Secretary Finance



Mr Abdul Wajid Rana assumed the position of Secretary Finance on 12 February 2012. He holds Master of Business Administration degree with Specialization in Economics / Master of Finance from Saint Louis University, Missouri, USA; Master of Arts (Political Science) from University of Punjab; Master of Science from Quaid-i-Azam University, Islamabad; and, LLB degree from University of Sindh, Hyderabad.

Prior to becoming Secretary Finance, he held various senior positions during in the Government of Pakistan which include the Federal Secretary, Economic Affairs Division; Special Secretary Finance; Economic Minister/Financial

Advisor, Embassy of Pakistan, Washington D.C., USA/Canada; Principal Staff Officer to the Prime Minister of Pakistan; Joint Secretary (EF&P), Ministry of Finance; Special Assistant to Minister for Finance, Economic Affairs, Revenue, Planning & Statistics, Government of Pakistan; Provincial Secretary Finance, Sindh; and, Provincial Secretary Finance, Khyber Pukhtoonkhwa.

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CHAPTER 3: ORGANIZATIONAL STRUCTURE

“The whole is greater than the sum of its parts.”

COMMISSION'S SECRETARIAT

The Commission's Secretariat was established pursuant to the Competition Commission (Conduct of Business) Regulations, 2007. Its mandate includes overseeing the conduct of business of the Commission in accordance with the approved procedures. The powers and duties of the Secretary to the Commission include, inter alia, issuing notices and minutes of meetings of the Commission, representing the Commission at any forum as authorized by the Commission, and certifying the decisions or documents used in hearings by the Commission. The Chairperson may assign other powers and duties to the Secretary based on organisational exigencies. The common seal of the Commission remains under the safe custody of the Secretary.

During the year, the Commission held nine meetings in which important decisions in light of the statutory provisions of the Competition Law were taken. Some of the decisions include:

- *Amendments were made* in the Competition Commission (Merger Control) Regulations, 2007; Competition Commission (Service) Regulations, 2007 and; Competition Commission (General Enforcement) Regulations, 2007.
- *A medical policy* applicable to Members and employees of the Commission was approved.
- *Exhort the Government* at appropriate level to prevail upon the five Regulatory Bodies for the recovery of the 3% of their revenues.
- *Standard operating procedures* were approved for Grant of Loans and Advances; official telephone entitlement; recruitment of interns and trainees and traveling procedure.
- *It was emphasized* that the capacity building of the Commission be accorded top priority and funds for the purpose be explored.

CORPORATE AFFAIRS DEPARTMENT

The Corporate Affairs Department (CAD) actively supports the functioning of the Commission. It handles matters pertaining to the internal operations of the Commission namely, Administration, Accounts, and Human Resources.

The Management lays major emphasis on the improvement of the facilities, policies and procedures. Prominent improvements have been made in the areas of policy formulation, staffing and computerized information system.

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I. ACCOUNTS WING:

Accounts and internal controls are given the utmost importance by the management, and a number of initiatives have been taken that have produced tremendous results within a short span of time. A culture of transparency and fairness in all financial matters is promoted. There is an increasing emphasis on cost control, and greater vigilance with respect to limiting unnecessary expenditures, which has become more important due to the chronic paucity of funds available to the Commission.

Although the Commission is still operating under significant financial constraints, it has been operationally active, judiciously deploying limited resources as optimally as possible.

- *Efficiently administered annual* budget of Rs. 180 million, maintained economical levels of administrative costs from last year and resorted to short term investments of temporarily surplus funds to augment income.
- *Introduced licensed accounting* software to achieve improved reporting and control.
- *Upgraded the payroll* software to enable better report generation.
- *Submitted to the* Ministry of Finance a comprehensive annual budget of the Commission for the financial year 2013-14 with notable expansion planned.
- *Hired a qualified* and experienced Chartered Accountant to perform Internal audit function.

II. ADMINISTRATION WING:

The Administration wing is tasked with providing administrative and logistical support to the Commission and its employees. Its mandate includes (i) general office management, (ii) transport management, (iii) assets management, and (iv) security and safety.

During the year the administration department expanded the office area and facilities adding over 9 thousand sq ft of space providing for a state of the art conference hall, dedicated space for internal meetings and external consultant and record archival and developed and implemented Standard Operating Procedures streamlining nearly all major areas.

III. HUMAN RESOURCES WING:

The HR wing of the Commission is involved in planning and assessment of the number of employees and the skill mix that will be needed in the future. The HR Department is also involved in reviewing, designing and drafting the job description for current and prospective vacancies.

One of the most important functions of HR Department is to recruit the best talent for the organisation. This is of crucial importance as the success of any organisation depends on the quality of its workforce. Once an employee is recruited, the Department conducts regular performance appraisals. To improve the efficiency level of the Commission's officers and staff, each employee is required to undertake relevant trainings and development programs. All trainings and development needs assessments are carried out by this Department.

LEGAL DEPARTMENT

The Legal Department helps the Commission shape, implement, and enforce competition law in Pakistan. The department provides legal advice and services to all other departments of the Commission, and thus plays a vital role in helping the Commission towards achieving its objectives and fulfilling its obligations as a statutory body. Importantly, it does not restrict itself to advisory role but invariably assists the Commission in conducting inquiries and carrying out search and inspections.

The department's functions and responsibilities include, inter alia:-

- *To manage the legal affairs of the Commission*
- *To research and stay informed of legal developments in mature jurisdictions*
- *To provide legal advice and assistance to operational departments and undertakings on matters pertaining to the Competition Act*
- *To serve as part of Inquiry Committees on issues pertaining to Competition Law*
- *To serve as a liaison with the Federal Government and other regulatory authorities*
- *To prescribe Rules and Regulations relating to the functions and activities of the Commission and vetting such secondary legislation to ensure its compliance with the law*
- *To prepare pleadings and replies for and on behalf of the Commission for submission before competent fora*

OFFICE OF THE REGISTRAR

Housed in the Legal Department, 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. During the year 23 hearings were conducted. The Registrar has also been authorized to represent the Commission in litigation matters before the various courts of Pakistan.

ROLE OF LEGAL DEPARTMENT IN LITIGATION INVOLVING THE COMMISSION

The decisions of the Commission can be subject to review and any undertaking can avail the remedy of appeal before the Competition Appellate Tribunal and the Supreme Court of Pakistan. The Legal Department prepares pleadings to be filed in all litigation-related matters. During the last year, a number of companies to whom show cause notices were issued, challenged the constitutionality of the Competition Act before the High Courts. In defending itself against such constitutional challenges, the Commission is being represented by external counsel, including senior Supreme Court practitioners.

However, both the Chairperson and the Registrar work closely with external counsel in developing the litigation strategy in defending such cases.



EXEMPTING PROHIBITED AGREEMENTS UNDER SECTION 5 OF THE ACT

The Competition Act recognizes that certain practices or agreements that would otherwise be prohibited may provide an overall benefit to consumers, such as improving production or distribution, and making technological developments that would outweigh the adverse effect of decreased competition in the market. Thus, the Competition Act makes provision for undertakings to apply for exemptions, should

the pro-competitive effects of a prohibited practice or agreement be deemed advantageous. One of the responsibilities of the Legal Department is the initial processing of such exemption applications filed by undertakings under Section 5 of the Act. These applications are then presented to the Member (C&TA) who makes the final decision regarding the grant of exemptions.

SALIENT ACHIEVEMENTS OF THE DEPARTMENT DURING THE YEAR

- CCP has adopted following amendments to its existing regulations during the year as follows

- In the Competition Commission (Merger Control) Regulations, 2007 the list of transactions exempt from filing pre-merger notifications was expanded and the fee for filing pre-merger applications was revised

- In the Competition Commission (Merger Control) Regulations, 2007 holding companies and subsidiaries that merge, amalgamate, combine or enter into a joint venture were added to the list of transactions exempt from filing pre-merger notifications.

- In the Competition Commission (General Enforcement) Regulations, 2008, the procedure to treat authentic information from an anonymous informant as a complaint was introduced.

- In the Competition Commission (General Enforcement) Regulations, 2007 the procedure to exercise the power available to Commission to pass interim order for the purpose of preventing serious, irreparable damage or protecting public interest available under Section 32 of the Competition Act was introduced.

- In the Competition Commission (Service) Regulations, 2007 change in entitlement of terminal benefits of employees of the Commission was made.

- The department also developed Standard Operating Procedures on various employee service matters. The purpose of the amendments to the regulations aims to require all infringements of the law to come to an end and will improve compliance with the regulations

concerned. All the changes affect an important part of the institutional structure and procedures of the Act.

- In the last financial year, following matters have been disposed of:

- Ahsan Basir Sheikh vs. Secretary Establishment & others (Service) [in the said matter Mr. Ahsan Basir sheikh contended that he had been appointed as a member of the Commission and his contract cannot be terminated without the statutory period of three years-this plea has been rejected by the Honourable High Court as well as by the Supreme Court];

- Asghar Abbas Gardezi v. SECP & others (Merger Clearance) [In the said petition it was asserted that M/s Bestway (Holdings) Limited (the 'Acquirer') is presently acquiring voting shares of United Bank Limited (the 'Target Company') which will raise the voting shares of the Acquirer from 25% to 51% which is in violation of the provisions of the Listed Companies (Substantial Acquisition of Voting shares & Takeovers) Ordinance, 2002 & that of Competition Act, 2010 regarding the approval of mergers & acquisitions.] The Commission has already issued the N.O.C.;

- Ovex Technologies (Pvt.) Ltd & Information Management (Pvt.) Ltd. (Merger): In the said petition the scheme of amalgamation was filed before the Honourable Lahore High Court for its approval. Notice was issued to CCP for their comments/ objections; the transaction was b/w holding and subsidiary therefore, considered exempt under Regulation 4A of the Merger Control Regulations;

“ Under new leadership, major emphasis is placed on the improvement of the facilities, policies and procedures. Prominent improvements have been made in the areas of policy formulation, staffing and computerized information system.

- iv. *Carvan-e-Hajj Travels vs. Federation of Pakistan & others (Misc.)*: In the said petition the quota as per the Hajj Policy 2010-11 was challenged before the Lahore High Court. Subsequent to the issuance of notice to the Commission the matter was disposed of with the observation that the Lahore High Court has already deliberated on the issue in an earlier petition;
- v. *Agritech & Hazara Phosphate (Merger)*: In the said petition the scheme of merger/amalgamation/acquisition was filed before the Honourable Lahore High Court for its approval. Notice was issued to CCP for their comments/objections; the transaction was b/w holding and subsidiary therefore, considered exempt under Regulation 4A of the Merger Control Regulations;
- vi. *FFC vs. the Commission (Merger)* both from High Court and Supreme Court: In the said petition, FFC alleged that the Commission does not have the power to impose conditions if it comes to a conclusion that the merger situation does not substantially lessen competition. The Honourable High Court rejected their plea. The Honourable Supreme Court however remanded the case back to the Commission for hearing the parties on the conditions imposed;
- vii. *Mohammad Zahir Khan vs. Chairman CCP (Service)*: One of the former employees of the defunct MCA challenged the notice whereby he was declared surplus and requested for enhancement in his salary. The Petitioner withdrew his petition.
- viii. *New Age Chemicals & New Age Cables (Merger)*: In the said petition the scheme of merger/amalgamation/acquisition was filed before the Honourable Lahore High Court for its approval. Notice was issued to CCP for their comments/objections; the transaction was b/w holding and subsidiary therefore, considered exempt under Regulation 4A of the Merger Control Regulations;
- ix. *Wire Cables & Products (Pvt.) Ltd. vs. Lahore Cables & Engineering (Merger)*: In the said petition the scheme of merger/amalgamation/acquisition was filed before the Honourable Lahore High Court for its approval. CCP has already issued N.O.C. to the transaction.
- During the year CCP granted 123 exemption certificates. In addition to the exempted undertakings, certain other undertakings have also been asked to provide the requisite information for determining their liability for filing applications for exemption of their prohibited agreement(s). A list containing the names of undertakings and nature of agreements appears on Page 30.
 - The Legal Department reviewed and provided comments on the following bilateral investments agreements received from the Board of Investment for review and feedback in light of the Competition Act, 2010.
 - i. Agreement for Promotion and Reciprocal Protection of Investment between Pakistan and Mexico
 - ii. Agreement between the Government of Socialist republic of Vietnam and the Government of the Islamic Republic of Pakistan for the Promotion and Protection of Investments
 - iii. Agreement on Promotion and Protection of Investments between Pakistan and Ethiopia
 - iv. Agreement between the Government of the Republic of Turkey and the Government of the Islamic Republic of Pakistan cornering the Reciprocal Promotion and Protection of Investments
 - v. Agreement between Pakistan and Mexico on Protection and Promotion of Investments
 - During the year the department issued competition advices to Pakistan Television Corporation on grant of exemption in terms of sections 5 and 9 of the Act and to the Pakistan Shipping Agents Association on competition aspects of creation of defaulters' database
 - The department also remained involved in the development and issuance of advocacy booklets on Voluntary Competition Compliance, Leniency and Reward Payment Scheme for Informants.

Cont. on page 30

CARTELS AND TRADE ABUSES DEPARTMENT

The Cartels and Trade Abuses Department monitors the market for evidence of any practices that distort competition and conducts inquiries and investigations for possible contraventions of Sections 3 and 4 of the Competition Act after careful evaluation of any formal or informal complaints or media reports.

These contraventions include, inter alia:-

1. *Abusive practices by dominant undertakings*, such as limiting production or sales, making unreasonable increases in price, imposing other unfair trading conditions, engaging in unfair price discrimination, predatory pricing, tying the sale of certain goods to the sale unrelated goods, boycotting suppliers and refusals to deal .
2. *Agreements between entities* to cartelize and collude relating to the production, supply, distribution, acquisition or control of goods or the provision of services that could prevent, restrict, reduce, or distort competition.

The Commission has, under the Act, the powers to carry out search and inspections where circumstances point to a violation but there is a need for evidence to prove the violation. Officers of the department are authorised accordingly and material and information gathered in such inspections is analysed for evidence for anti-competitive behaviour, based on which the department builds its prosecution in the form of an enquiry report.

“ *The Cartels and Trade Abuses Department monitors the market for evidence of any practices that distort competition.* ”

ADVOCACY & INFORMATION TECHNOLOGY DEPARTMENT

“ *The Commission has been focusing its efforts on what it calls knowledge-based advocacy to create awareness of the law.* ”

Advocacy: Advocacy is key component of our activity which aims at creating, expanding and strengthening awareness of competition in the economy. Like many other competition agencies around the world, the Commission promotes competition through advocacy as well as enforcement. The Commission has been focusing its efforts on what it calls knowledge-based advocacy to create awareness of the law. This sensitization of the stakeholders, including the public and private sector, legal community, academia, media, and the government, is being carried out through a well-articulated advocacy strategy developed by the Commission’s Advocacy Department. Extensive and focused advocacy efforts include national and international conferences, seminars, training workshops, roundtables, media appearances, sessions of the Competition Consultative Group and bilateral meetings with sector regulators.

Information Technology: The IT team manages and supplies all IT-related services to support the Commission’s goal of increasing productivity and efficiency of its employees and support its advocacy functions. The department’s recent focus remained on the automation of Legal/Court Cases, Employees attendance record register, Inventory assets and tracking, human resource profiles.

The department is organised into three program areas: IT Infrastructure Group, Systems Development Group and Design/Multimedia Group.



“the Office of Fair Trade enables the Commission to engage in direct consumer protection from misleading and deceptive marketing practices.”

OFFICE OF FAIR TRADE (OFT) & BUDGETARY AFFAIRS

OFT: Under Section 10 of the Competition Act, the Commission is responsible for protecting consumers from deceptive marketing practices. For this purpose, the Office of Fair Trade enables the Commission to engage in direct consumer protection from misleading and deceptive marketing practices. The OFT handles consumer grievances on account of deceptive marketing practices with the objective of making markets work better and in ensuring transactions take place based on accurate information.

Budgetary Affairs: Budget preparation is basically the function of Administration Department. Annual budget of the Commission is prepared and monitored in light of the Competition Commission (Expenditure and Investment) Regulations, 2007. The recognised principles of budget are adhered to while completing the budgetary process. Professional advice and support is provided for the identification, apportionment, and utilisation of the financial resources of the Commission to enable it to sustain its commitments within the parameters of approved financial plan.

Financial resources of the Commission comprising ‘receipts’ of the budget are consolidated under the ‘CCP Fund’ established under the Competition Act. The receipts which constitute the Fund mainly include, allocations by the Government; charges and fees levied by the Commission; contributions from local and foreign donors; and a percentage of fees and charges levied by other regulatory agencies in Pakistan as prescribed by the Federal Government. The Commission has not, so far been benefited by the 3% of the fees and charges of other regulatory agencies as prescribed by the Government. Resultantly, the budget receipts chiefly comprise the allocations of the Government.

In view of scarcity of funds, a separate Department named ‘Budgetary Affairs’ has been created within the Commission and is working under the supervision of a Member of the Commission. Its main role is to arrange funds for the budgetary requirements of the Commission, within the statutory provisions of the Competition Act.

COMPETITION POLICY AND RESEARCH DE- PARTMENT (CPRD)

Research and analysis of the markets are important aspects of Commission's focus to promote free competition, besides active law enforcement, besides active law enforcement, consultations and advocacy. The Competition Act requires the Commission to conduct research and review policies in order to identify and act against anti-competitive practices. To fulfil this requirement, the CPRD conducts detailed sectoral competition assessments. The department also supports the Commission in the issuance of policy notes to the government and regulatory bodies on policies, laws, and regulations that distort competition, and suggest pro-competition measures.

INFORMATION RESOURCE CENTRE:

The CPRD manages the Commission's Information Resource Centre (IRC) that facilitates the Commission's employees by providing them with quality and convenient access to information resources on law and economics.

“ Research and analysis of the markets are important aspects of Commission's focus to promote free competition, besides active law enforcement.

MERGERS & ACQUISITIONS AND INTERNATIONAL AFFAIRS DEPARTMENT

Mergers & Acquisitions: Section 11 of the Competition Act empowers the Commission to review mergers and make sure that no merger which substantially lessens competition by creating or strengthening a dominant position in the relevant market, takes place. The functions of this department include detection of merger and acquisition cases with the help of newspaper reports, website of the stock exchanges, and directly from the Securities and Exchange Commission of Pakistan. It reviews mergers and/or acquisitions of shares or assets, including joint ventures. To facilitate those undertakings contemplating a merger or acquisition that want to get an informal and non-binding view of the Commission, the department operates “Acquisitions & Mergers Facilitation Office” (AMFO). The procedure adopted by the department for examining the application and issuance of a No Objection Certificate (NOC) is extremely transparent and is operated expeditiously by experts working in this department. In spite of an accelerated time frame of 30 days for the first phase review, cases are typically finalized and an NOC is issued within a couple of days, except for the cases where additional information or in depth analysis is required.

Office of the International Affairs: The Office of International Affairs (OIA) was established in January 2010 in the prescient realisation that growing number of competition regimes – around 130 in 2012 and most of them increasingly interested in putting a sound competition policy in place – and the globalisation of competition law and enforcement would result in significant communication between competition agencies. Much of the OIA's international communication takes place in a variety of multilateral settings in which competition agencies meet, in person or virtually, to share ideas, co-operate on a variety of project-based activities, and build a shared understanding on competition law, its practice and enforcement. These multilateral settings come either under the aegis of the International Competition Network (ICN), the Organisation for Economic Co-operation and Development (OECD), or the United Nations Conference on Trade and Development (UNCTAD).

Cont from Page 26.

EXEMPTIONS OF PROHIBITED AGREEMENTS UNDER SECTION 5 OF THE ACT

Serial No	Name of undertaking(s)	Nature of the Agreement
1.	Indus Motor Company Ltd	Technical Assistance Agreement
2.	Pepsi Cola International (Pvt) Ltd	Exclusive Beverage & Bottled Water Supply Agreement
3.	Pfizer Laboratories Ltd	Distribution Agreement
4.	ICI Pakistan Ltd	Exclusive Distribution Agreement
5.	ICI Pakistan Ltd	Formulation and Distribution Agreement
6.	Tepal Tea (pvt) Ltd	Distribution Agreement
7.	Coca Cola Beverages Pakistan Ltd	Bottlers agreement with six supplemental Agreements
8.	Roch Pakistan Ltd	Endorsement Agreement
9.	ICI Pakistan Ltd	Distribution Agreement
10.	Pfizer Laboratories Ltd	Institutional Distribution Agreement
11.	ICI Pakistan Ltd	Marketing Services Agreement
12.	Roch Pakistan Ltd	Exclusive Distribution Agreement
13.	Servier research and Pharmaceuticals [Pakistan] (pvt) Ltd	Distribution Agreement
14.	Pakistan television Corporation (Ptv)	Proposed Exclusive License Agreement for broadcasting rights to be executed between PTV and ESPN
15.	ICI Pakistan Ltd	Non Exclusive Distribution Agreement
16.	ICI Pakistan Ltd	Distribution Agreement
17.	Pakistan PPTA imited	Agreement for the supply of Nitrogen and Hydrogen at Port Qasim
18.	Pakistan television Corporation	License Agreement for Media Rights to ICCI events 2008 to 2011
19.	ICI Pakistan Ltd	Distribution Agreement
20.	ICI Pakistan Ltd	Distribution agreement
21.	ICI Pakistan Ltd	Non Exclusive Distribution Agreement
22.	Telenor Pakistan (Pvt) Ltd	Franchise Agreement
23.	ICI Pakistan Ltd	Sales contract
24.	ICI Pakistan Ltd	Dealer Agreement
25.	ICI Pakistan Ltd	Technical Agreement
26.	ICI Pakistan Ltd	Distribution Agreement
27.	ICI Pakistan Ltd	Non Exclusive Distribution Agreement
28.	Merck (Pvt) Ltd	Institutional Distribution agreement
29.	Merck (pvt) Ltd	Distribution Agreement
30.	Coca Cola Beverage Pakistan Ltd	Distribution Development program Agreement
31.	Pakistan Mobile Communication (pvt) Ltd	Franchise Agreement
32.	Merck (pvt) Ltd	Institutional Distribution Agreement

Serial No	Name of undertaking(s)	Nature of the Agreement
33.	Merck (Pvt) Ltd	Distribution Agreement
34.	ICI Pakistan Ltd	Dealer Agreement
35.	Engro Foods Ltd	Distribution Agreement
36.	Wyeth Pakistan Ltd	Agreement for advertising services
37.	Indus Motor Company Ltd	Technical Assistance Agreement
38.	Pepsi Cola International (Pvt) Ltd	Exclusive Beverage & Bottled Water Supply Agreement
39.	ICI Pakistan Ltd	Non exclusive Distribution Agreement
40.	Reckit Benkiser Pakistan Ltd	Distribution Agreement
41.	ICI Pakistan Ltd	Production Agreement
42.	Engro Foods Ltd	Distribution Agreement
43.	Pakistan Telecom Mobile Ltd	Standard Franchise Agreement
44.	Abbott laboratories (Pakistan) Ltd	Development and Distribution Agreement
45.	Abbott laboratories (Pakistan) Ltd	License Agreement
46.	Packages Ltd	Standard Warehouse Distribution Agreement
47.	Packages Ltd	Institutional Distribution Agreement
48.	Getz Pharma (Pvt) Ltd	Distribution Agreement
49.	Wah Noble (pvt) Ltd	Distribution Agreement
50.	Johnson & Johson Pakistan Ltd	Distribution Agreement
51.	ICI Pakistan Ltd	Franchise Agreement
52.	Eli Lilly & Company	Trade name License Agreement
53.	Pakistan State Oil Company Limited	Fuel Supply Agreement
54.	AGP (Pvt) Ltd	License Agreement
55.	Pharmatech Pakistan (pvt) Ltd	Distribution Agreement
56.	Warid Telecom (Pvt) Ltd	Franchise Agreement
57.	ICI Pakistan Limited	Exclusive Distribution Agreement
58.	Eli Lilly Gohar (pvt) Ltd	Toll Manufacturing Agreement
59.	Wartsila Pakistan (Pvt) Ltd	Service Distribution Agreement
60.	ICI Pakistan Ltd	Supply Contract
61.	ICI Pakistan Ltd	Supply and distribution Agreement
62.	PSO Company Ltd	Fuel Supply Agreement
63.	PSO Company Ltd	Fuel Supply Agreement
64.	PSO Company Ltd	Fuel Supply Agreement
65.	PSO Company Ltd	Fuel Supply Agreement
66.	PSO Company Ltd	Fuel Supply Agreement
67.	PSO Company Ltd	Fuel Supply Agreement
68.	Shabbir Tiles & Ceramics Ltd	Authorized Sales Outlet Agreement

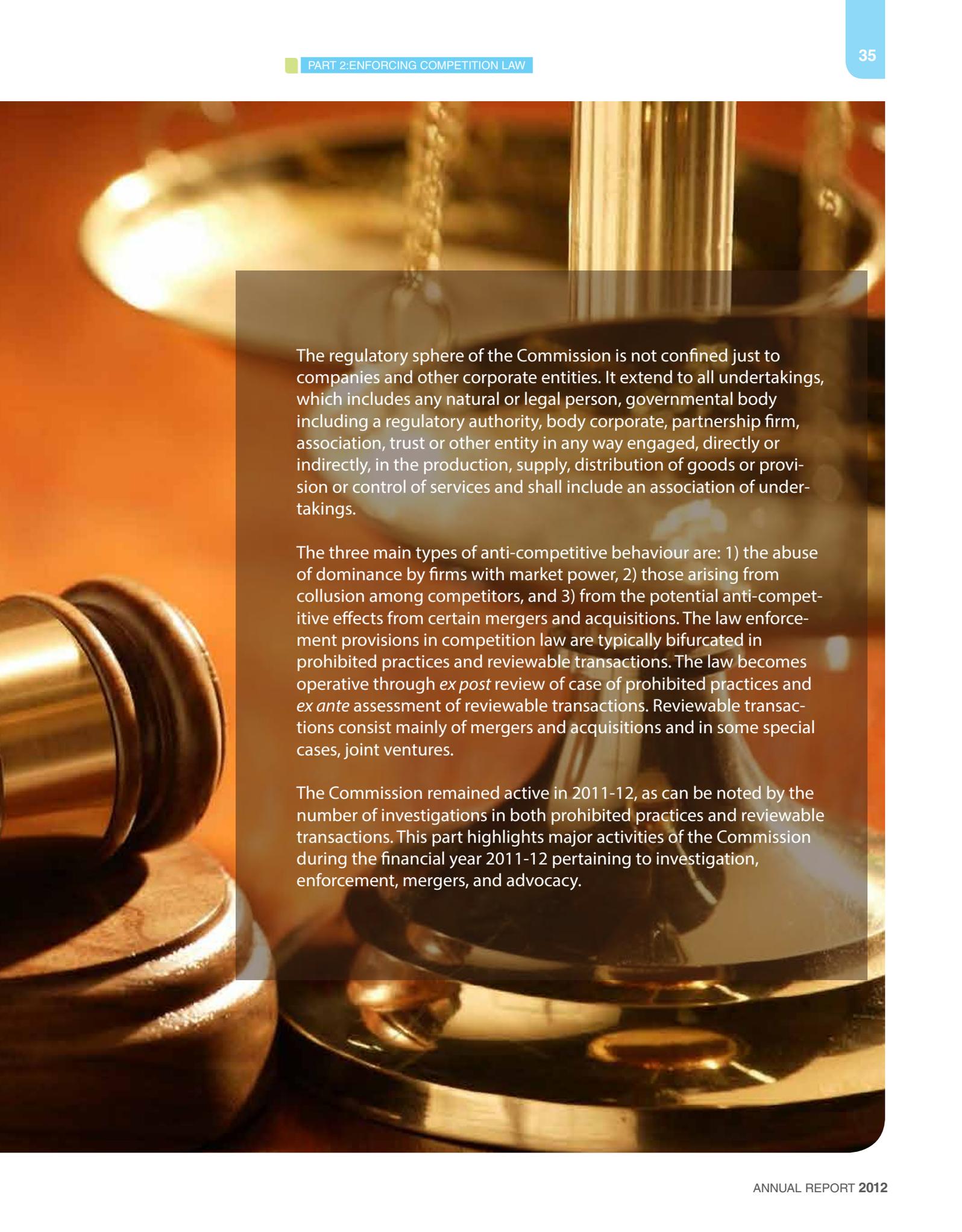
Serial No	Name of undertaking(s)	Nature of the Agreement
69.	Metro Cash and Carry	Joint Venture Agreement
70.	Pakistan State Oil Company Ltd	Fuel Supply Agreement
71.	CMPak Limited (Zong)	Franchise Agreement
72.	Pakistan State Oil Company Ltd	Fuel Supply Agreement
73.	Pakistan State Oil Company Ltd	Fuel Supply Agreement
74.	Pakistan State Oil Company Ltd	Fuel Supply Agreement
75.	Pakistan State Oil Company Ltd	PSO Fuel Card(s) Agreement
76.	ICI Pakistan Limited	Distribution Agreement
77.	Indus Motor Company Limited	Dealership Agreement
78.	Indus Motor Company Limited	Dealership Agreement
79.	DuPont Pakistan Operations (Pvt) Limited	Representation Agreement
80.	Asian Consumer Care Pakistan (Pvt.) Limited	Distribution Agreement
81.	DuPont Pakistan Operations (Pvt) Limited	Marketing Associate Agreement
82.	Packages Limited	Agreement with Indirect Distributors for distribution of Tissue Products
83.	Packages Limited	Agreement with Direct Distributors for distribution of Tissue Products
84.	M/s. AGP (private) Limited	License Agreement
85.	M/s. Brookes Pharma (private) Ltd	Institutional Distributorship Agreement
86.	M/s. Brookes Pharma (private) Ltd	Distributorship Agreement
87.	M/s. Clover Pakistan Limited	Asset Purchase Agreement
88.	Roch Pakistan Ltd	Draft Template Agreement
89.	Roch Pakistan Limited	Draft Distribution Agreement
90.	ICI Pakistan Ltd	Distribution Agreement
91.	Martin Dow Pharmaceuticals Limited	License & Technical Assistance Agreement
92.	Eli Lilly Pakistan (Pvt.) Limited	Distribution Agreement
93.	Modern Motors (Pvt.) Limited	Distributorship Agreement
94.	Modern Motors(Pvt.) Limited	Distribution Agreement
95.	Modern Motors(Pvt.) Limited	Distribution Agreement
96.	Mrs. Asma Ishaq (the Seller) Mr. Omer Morshad M/s. Russel Square Holding BV (the Purchaser)	Share Purchase and Shareholder's Agreement
97.	Pakistan State Oil Company Limited	Fuel Supply Agreement
98.	Pakistan State Oil Company Limited	Oil Supply Agreement
99.	Abbott Laboratories (Pakistan) Limited	Distribution Agreement
100.	Muller and Phipps Pakistan (Pvt.) Limited	Distribution Agreement
101.	Muller and Phipps Pakistan (Pvt.) Limited	Distribution Agreement

Serial No	Name of undertaking(s)	Nature of the Agreement
102.	Muller and Phipps Pakistan (Pvt.) Limited	Distribution Agreement
103.	National Foods Ltd	Distribution Agreement
104.	ICI Pakistan Limited.	Mono Ethylene Glyco Supply Agreement
105.	M/s. Cavendish Square Holding BV.	Share Subscription and Shareholder's Agreement
106.	M/s. Proctor and Gamble Pakistan (Pvt.) Ltd	Distribution Agreement
107.	M/s. Gillette Pakistan Ltd	Distribution Agreement
108.	M/s. Abudawood Trading Company Pakistan (Pvt.) Limited	Standard Sub-Distributor Agreement
109.	M/s. Bristol Myers Squibb Company	Stock and Asset Purchase Agreement
110.	M/s. Medipharm (Private) Limited	Draft Institutional Distributorship Agreement
111.	M/s. Bayer Pakistan (Pvt) Limited	Draft Institutional Distributorship Agreement
112.	Milac Foods (Pvt) Limited	Exclusive Distributorship Agreement
113.	Zafa Pharmaceutical Laboratories (pvt) Ltd	Distributorship Agreement
114.	M/s. Bayer Pakistan (Pvt) Ltd	Standard Regional Distributorship Agreement
115.	M/s. Elko Organization (Pvt) Ltd	Standard Distribution Agreement
116.	M/s. Medipharm (Pvt) Ltd	Standard Distribution Agreement
117.	M/s. Coca Cola Beverages Pakistan Limited	Agreement for exclusive selling rights of Carbonated Soft Drinks
118.	M/s.Pepsi Cola International (Pvt) Limited	Exclusive Supply Agreement
119.	M/s.Pepsi Cola International (Pvt.) Limited	Exclusive Beverage Supply Agreement
120.	M/s. B.Braun Pakistan (Pvt.) Limited	Non-Exclusive Distribution Agreement
121.	M/s. Unilever Pakistan Foods Limited.	Distribution Agreement

PART 2

ENFORCING COMPETITION LAW

36	HIGHLIGHTS OF ACHIEVEMENTS	CHAPTER 04
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56	MERGERS, ACQUISITIONS, AND JOINT VENTURES	CHAPTER 07
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84	DEALING WITH INTERNATIONAL AFFAIRS	CHAPTER 09
88	UNDERTAKING RESEARCH	CHAPTER 10
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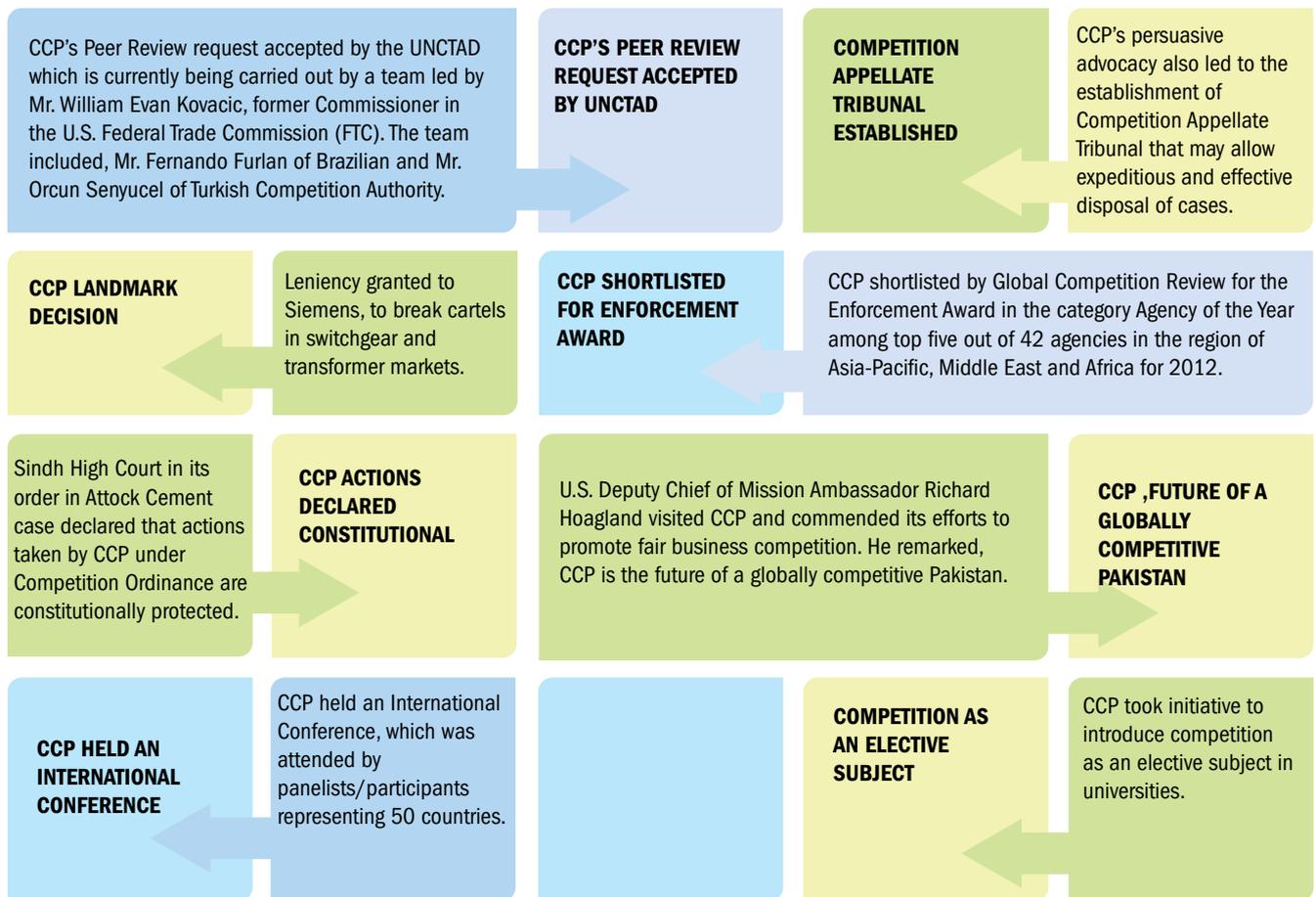


The regulatory sphere of the Commission is not confined just to companies and other corporate entities. It extends to all undertakings, which includes any natural or legal person, governmental body including a regulatory authority, body corporate, partnership firm, association, trust or other entity in any way engaged, directly or indirectly, in the production, supply, distribution of goods or provision or control of services and shall include an association of undertakings.

The three main types of anti-competitive behaviour are: 1) the abuse of dominance by firms with market power, 2) those arising from collusion among competitors, and 3) from the potential anti-competitive effects from certain mergers and acquisitions. The law enforcement provisions in competition law are typically bifurcated in prohibited practices and reviewable transactions. The law becomes operative through *ex post* review of cases of prohibited practices and *ex ante* assessment of reviewable transactions. Reviewable transactions consist mainly of mergers and acquisitions and in some special cases, joint ventures.

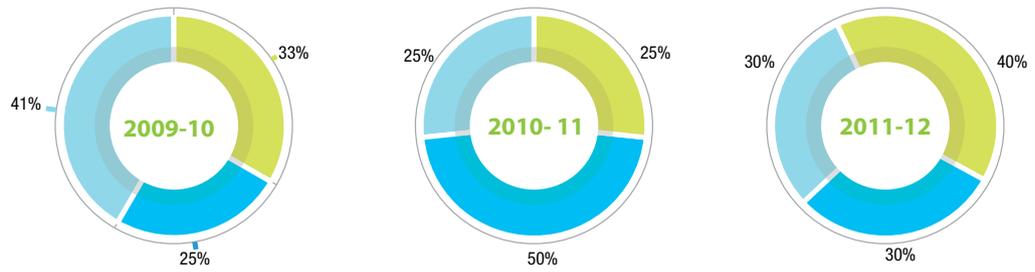
The Commission remained active in 2011-12, as can be noted by the number of investigations in both prohibited practices and reviewable transactions. This part highlights major activities of the Commission during the financial year 2011-12 pertaining to investigation, enforcement, mergers, and advocacy.

CHAPTER 4: HIGHLIGHTS OF ACHIEVEMENTS



CCP PROCEEDINGS RESOLVED (DISTRIBUTION OF CASES)

- PROHIBITED AGREEMENTS
- DECEPTIVE MARKETING
- ABUSE OF DOMINANCE



CCP PROCEEDINGS RESOLVED (NUMBER OF CASES)





CHAPTER 5: TACKLING CARTELS & MONOPOLISTIC BEHAVIOUR

Section 4 of the Competition Act, 2010 prohibits agreements or even any conspiracy to enter into agreements, and concerted practices that have the objective or effect of preventing, restricting, or distorting competition within Pakistan, and in particular those which (i) directly or indirectly fix purchase or selling prices or any other trading conditions (ii) limit or control production, markets, technical development, or investment; (iii) allocate markets or sources of supply (iv) apply dissimilar and disadvantaged conditions to equivalent transactions across trading parties (v) make conclusion of contracts subject to acceptance by the other parties of supplementary obligations which have no commercial connection with the subject of such contracts or (vi) rig, suppress, rotate or complement bids.

This chapter focuses on the work the Commission did in 2011-12 to address prohibited agreements.

THE 1-LINK CASE

BACKGROUND

Automated Teller Machines (ATM) transactions have become a commonplace feature for Pakistani consumers, allowing convenience and flexibility in withdrawing money and carrying out basic transactions. These transactions generate considerable revenues for the banks as more and more customers avail these facilities. With the increasing prevalence and use of ATMs, banks have increased their volumes without costly investments in increasing branches, hiring personnel, and other attendant operational costs.

When ATMs were introduced in Pakistan in the 1990s, their usage was restricted to customers who held accounts in a particular bank. Over time, banks could no longer afford not to provide their customers with convenient access to ATMs. Establishing their own network was a costly proposition and the only way this cost could be mitigated while increasing access was to enter into reciprocal agreements with other banks for providing ATM services to each other's clientele. Subsequent developments in network technologies have improved access and transaction services, helping overcome previous limitations in the diffusion of the technology and the increase in the network.

Banks in Pakistan have committed to provide necessary services to customers of other banks and the interoperability of the system helped meet this important objective. To improve consumers' access to ATM services, 1-Link was established in 2003 and is currently recognised as the largest interbank payment network service provider in Pakistan, providing a national payment network that allows Pakistanis to access their money through ATM and Point-of-Sale (POS) terminals across Pakistan. 1-Link is a consortium of 11 major banks that have their representatives on its board and comprises 20 other banks as members. This membership gave it around 80% of the market for shared ATM network services.



THE ISSUE

The Commission took notice of the uniform rates implemented by many banks for ATM cash withdrawal transactions and appointed an Inquiry Committee to ascertain whether 1-Link and member banks had been engaged in any prohibited activity in terms of Section 4 of the Act.

It is important to define the terminology generally used by banks for such transactions. An *Off-Us* transaction takes place when a customer uses an ATM other than that of his bank; conversely, an *On-Us* transaction occurs when the ATM of the customer's bank is used. The bank which holds the customer's account is known as the *issuing* bank and the bank providing the ATM service is known as the *acquiring* bank since it acquires the transaction into the network when the ATM is used. An Off-Us transaction requires confirming that the customer has sufficient balance in his account. This confirmation occurs through the network linking all banks together since 2004 according to 1-Link. This process of authorisation and confirmation is known as *switching*. Given the improvements in the country's information technology infrastructure and the spread of ATM machines, this switching cost is not a substantial one.

Interchange fee is a term used in the payment card industry to describe a fee paid between banks for the acceptance of card based transactions. Usually it is a fee that a merchant's bank (the "acquiring bank") pays a customer's bank (the "issuing bank") however there are instances where the interchange fee is paid from the issuer to acquirer, often called reverse interchange. The justification for interchange fees is that it provides revenue to cover costs as well as an incentive to investing in and maintaining an interoperable system. Costs relate to the maintenance of the ATM and the cash and its security.

In response to the letters seeking the rationale for the uniform rates, two members of 1-Link said that they had to comply with the schedule of charges devised and communicated by 1-Link. The Commission also asked the banking sector regulator, the State Bank of Pakistan, whether the uniform rate in effect was a regulatory requirement. The State Bank said that the rate was just a ceiling and banks were at liberty to set their own rates up to the ceiling.

After conducting an inquiry, the Commission came to the conclusion that these pricing agreements were done under the aegis of 1-Link and appeared to have fixed charges pertaining to Off-Us transactions cash withdrawals, Utility Bill Payment Services (UBPS), and Inter-Bank Funds Transfers (IBFT). Furthermore, 1-Link periodically issued a schedule of charges, and thus took decisions to revise interchange bank fees for ATM cash withdrawals, UBPS, and IBFT services. By establishing and varying charges for banks to levy for ATM transactions and for the banks to agree to these prices, it appeared, prima facie, that 1-Link had transgressed its mandate as an association of undertakings and formulated an agreement that restricted competition in the provision of banking services through ATMs. In essence, these pricing agreements had sheltered ATM services and transactions from price competition to the ultimate detriment of consumers.

Show-cause notices were issued to 1-Link and its member banks in March 2012.

During the hearings, the parties asked the Bench to grant an exemption (under Sections 5 and 9 of the Act) for the fixed interchange fee for ATM cash withdrawals and IBFT services. 1-Link also submitted applications for exemptions for the 1-Link and IBFT Agreements.

The Bench observed that any collaboration of banks to the extent of expanding the ATM network in Pakistan (1-Link) presented a scenario where benefits to consumers outweighed any adverse effect on competition.

Permitting customers to use their cards on other member banks ATMs would only help increase customers' access to banking facilities.

In such circumstances, when parties collaborate in a joint venture that results in significant and beneficial efficiencies that could not otherwise be accomplished, a price fixing agreement may be considered under rule of reason analysis. The Bench felt that for banks, who are otherwise competitors, to pool their capital and invest in deploying ATMs to expand services to e-banking and develop new products as a joint venture meant that they would share the benefits and risks equally. In this case, their co-operation was necessary if this joint venture was to add value.

After discussing the pro-competitive effects of fixed interchange fee in terms of improving production or distribution and allowing consumers a fair share of the resulting benefit in detail, the Bench concluded that both the 1-Link Agreement and IBFT Agreement qualified for an exemption under the criteria given in the Section 9 of the Act but only to the extent of fixed interchange fee, noting that the benefits of this agreement clearly outweighed the anti-competitive effects. The Bench held that while no anti-competitive effects have resulted from the multilateral arrangement of banks with 1-Link and the parties have come forward to seek exemption voluntarily, no penalty would be imposed for not seeking a timely exemption. However, the Bench required the parties to submit the UBPS Agreement to seek an exemption.

The exemption was granted on the condition that the member banks should have a non-proprietary structure of the 1-Link infrastructure (switch/network) or, at the very least, have a corporate model that does not allow 1-Link Founder banks to exercise influential decision-making powers by virtue of their membership. 1-Link was told to submit an appropriate corporate model in line with international practice for its implementation within six months for

“ *The Bench held that while no anti-competitive effects have resulted from the multilateral arrangement of banks with 1-Link and the parties have come forward to seek exemption voluntarily, no penalty would be imposed for not seeking a timely exemption.* ”

clearance from the Commission on competition aspects of such structuring within six months from the date of the Order.

On the matter of customer charges, the Bench was told during the hearing that the PKR 15 cash withdrawal fee, as recommended by the State Bank, had been passed on the consumers in good faith and without any agreement amongst them. The State Bank's representative, however, clarified that the ceiling of PKR 15 was a recommendation only as being affordable for consumers and sufficiently remunerative for banks and not a mandatory amount.

Despite the explanations put forth by the respondents, the Bench held that 1-Link members were continuing to act in a collective manner by charging a uniform fee to their customers for Off-Us ATM cash withdrawal transactions. Their ability to influence other competitors was so pervasive that banks that were previously not charging for such transactions had also levied the PKR 15 charge. Concerted action was also corroborated from the fact that none of the banks had deliberated these matters at an individual level but rather agreed en masse to the decisions made by the 1-Link board. This included the PKR 15 charge to their customers, adopting and implementation the schedule of charges issued by 1-Link deciding charges borne by customers, and ensuring that "Customers Account" used in Schedule of Charges referred to the cardholders account and not member banks' accounts. Documents on record also established that 1-Link required its member banks to increase Off-Us ATM cash withdrawal charges from PKR 15 to PKR 20 in their own schedule of charges issued to their customers biannually and levy a charge of PKR 5 for balance inquiry transactions by customers.

Finally, the letter sent by 1-Link to SBP on 29 March 2012 to seek clarification from SBP also highlighted 1-Link's critical role in taking and enforcing collective action by its members, by showing how it had assumed the role of

frontrunner for its members and doing advocacy on their behalf before the regulator on matters which did not fall within its purview.

The Bench held that 1-Link had gone beyond its mandate. Its Board had deliberated, discussed, and resolved various aspects that were more within individual banks' domain such as customer/cardholder's charges. In terms of its activities and decisions taken 1-Link has acted more as an association of its member banks and provided a forum, particularly to those who are represented on the Board to discuss, review/revise on matters of common interest and then the member banks acceding to 1-Link Agreement who implement the deliberations undertaken by the Board. Such conduct of 1-Link and collective behaviour of banks of charging uniform fee for 'Off Us' ATM cash withdrawal transactions fall in prohibited category in terms of Section 4(1) read with Section 4(2) (a) of the Act and thus the violation has been committed on part of parties concerned.

The Bench said that, in this particular case, the amount of PKR 15 may or may not be a higher charge for customers and it appears to be reasonable rather than unreasonable in terms of international trends. And while such practice and its effect on competition in the relevant market may be limited, the Bench nonetheless observed that between the period of December 2004 and November 2010, the number of ATMs on 1-Link network increased from 475 to 4,040, a remarkable growth of 741% since 2004, which implied that the economies of scale and accruing benefits must have increased significantly over this period.

The Bench emphasised that it was the horizontal fixing of uniform charges amongst the competitors which has the object of preventing, restricting and reducing the competition, and therefore, there was no need to apply the rule of reason for establishing its anti-competitive effects. It was precisely for this reason that it has not been considered a matter that could be eligible for exemption. "What is important to appreciate is the fact that our intervention

“ What is important to appreciate is the fact that our intervention is with respect to the aspect of behaviour of banks who have acted in a collective manner to charge uniformly their customers for Off Us ATM cash withdrawal transactions without any effort to take an independent economic decision vis-à-vis a particular product market thus resulting in market fixing.

is with respect to the aspect of behaviour of banks who have acted in a collective manner to charge uniformly their customers for Off Us ATM cash withdrawal transactions without any effort to take an independent economic decision vis-à-vis a particular product market thus resulting in market fixing. Such conduct is perhaps symbolic in terms of reflecting a pattern and a behavioural trend that does not make this industry competitive vis-a-vis various banking product/services markets. In banking regulation, competition issues seem to have

been neglected or overlooked and such behavioural trends prevent more efficient systems to emerge in the banking industry.”

The Commission imposed a total penalty in the sum of PKR 770 M, including PKR 50 M on 1-Link (Guarantee) Limited and PKR 50 M each on its 11 founding member banks and PKR 10 M on each of its 17 non-founding member banks for imposing uniform customer charges for Off-Us ATM cash withdrawal transactions in violation of Section 4 of the Competition Act, 2010. ■

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**GULF CO-OPERATION
COUNCIL APPROVED
MEDICAL CENTRES
(GAMCA)**

Overseas Pakistani workers play a significant role in the economy of Pakistan with the remittances they send. According to the State Bank statistics, overseas Pakistani workers remitted a significant amount of nearly \$8.906 billion in the FY 2009-10. In June 2010 alone, they also sent home a record amount of \$841.44 million. Both figures reflect an increase compared to the corresponding time period of the previous financial year and despite difficult economic conditions globally, remittances have shown a positive trend.

A large percentage of Pakistani workers are located in the Gulf Co-operation Council (GCC) countries. For Pakistani workers to find employment in the GCC countries, medical evaluation and clearance is an important and mandatory requirement. These medical formalities are done by the GCC Approved Medical Centres, which are overseen by the GCC Approved Medical Centres Administrative Office (GAMCA).

The Commission received a complaint from the Pakistan Overseas Employment Promoters Association (POEPA), alleging that GAMCA and the GCC Medical Centres (the respondents) had fixed a uniform fee, divided the market equally among themselves for pre-departure medical tests for expatriate workers, and were exploiting customers by restricting their choice and imposing unfair terms and conditions in violation of Sections 3 & 4 of the Act. On further inquiry into the matter found sufficient grounds

to issue a show cause to the respondents and allow them the opportunity to present their case.

The Commission's Bench, passed an order in June 2012, in which it flat out rejected the excuse that “fixing a uniform fee, dividing the market, and equally allocating the intended emigrants/ expatriate workers (GCC Customers) among themselves for the pre-departure medical tests was an ‘Act of State’” and that the doctrine of ‘foreign sovereign compulsion made it incumbent for the respondents to implement these measures, thus overruling the provisions of the competition law. The Bench observed that this doctrine was could not be considered a viable defence for contravening Section 4 of the Act, nor could it be used as a basis for granting an exemption.

With respect to the price-fixing aspect, the Bench observed that given that such medical tests were in the nature of mandatory/ necessary services for the GCC Customers and were only conducted by accredited medical centres i.e., GAMCs. If a fee ceiling was not prescribed, GAMCs could start charging fee at exploitative rates (particularly keeping in view the customers it caters for). An upper ceiling for a fee would also allow certain level of competition among GAMCs, providing incentives for the Respondents achieve greater efficiency by reducing operational costs and improving the quality of services provided. Any prescription with respect to price ceilings required an

“ It was concluded that by implementing the division of market and equal allocation of potential overseas workers in a quota system, competition had been restricted, leaving no incentive to bring any innovation or efficiency.

exemption by the Commission, and the Respondents were directed to file the exemption application within 30 days.

As for the dividing the market and equal allocation of the potential overseas workers for pre-departure medical check-ups, the Bench observed that to achieve the real objective of ensuring workers met the health requirements of the GCC countries, the current modus operandi of dividing market into five regions and distributing clients equally without regard to their location, personal preference, and convenience, could not be considered as an unavoidable operational necessity.

The justification by the respondents that the equal distribution system was implemented to curb malpractices was also not tenable as this itself was a serious contravention of the law and

thus a malpractice. These ostensible malpractices that had led to allocation of customers had to be addressed by effective monitoring, proper enforcement, imposition of penalties, or through cancellation of license/accreditation.

The Commission observed that the division of market and equal allocation of potential overseas workers had ensured guaranteed revenues without much effort. It was concluded that by implementing the division of market and equal allocation of potential overseas workers in a quota system, competition had been restricted, leaving no incentive to bring any innovation or efficiency.

The Commission also noted that the respondents had an arrangement that was per se illegal since 2000. Even after the introduction of the competition law in October 2007, the respondents had made no effort to correct their behaviour, which continued for four more years. And during the proceedings, while the Respondents made considerable effort to justify the market division and equal allocation of potential overseas employees, their attempts at compliance with the competition law were marginal at best.

For indulging in activities that were in violation of Section 4 of the Competition Act, the Commission imposed a total penalty of Rs 450 million – Rs 20 million on each of 20 GCC Approved Medical Centres and Rs 10 million on each of five GCC Approved Medical Centres Administrative Offices. GCC Approved Medical Centres Administrative Offices were directed to discontinue the existing arrangement of territorial division and equal allocation of potential overseas workers among GAMCs immediately.



GRANT OF LENIENCY TO SIEMENS PAKISTAN

The Commission's leniency programme allows it to give permanent amnesty for first mover whistle blowers who report an anti-competitive agreement to it. The Commission received its very first leniency application during this year and, in light of the information given by the applicant, granted a full waiver in the penalty that otherwise would have been imposed.

The electricity distribution companies, or DISCOs as they are more commonly known, procure equipment to provide electricity to consumers. The electric power equipment manufacturers had organised themselves into various fora and groups under the umbrella of the Pakistan Electrical Power Equipment Manufacturers Association (PEMA). The Commission had begun an inquiry on possible collusive bidding by members of PEMA on the basis of information it had received confidentially.

Realizing that obtaining tangible evidence necessitated a search and inspection, the Commission visited the office of PEMA and two of its members and impounded documents that, after careful examination, allowed it to issue show cause notices to 25 undertakings.

Subsequent to the show cause notices, Siemens applied for leniency along with more than 200 documents that showed how manufacturers had colluded to win tenders in two products – switchgears and transformers. The Commission's two-Member bench found these documents contained unambiguous evidence on the existence of a switchgear and transformer forum, the role played by the co-ordinator, decisions on price and share allocation that had the codes and signatures of participating bidders, meetings held to discuss tenders, faxes sent to by one party to other competitors on price to be quoted by it, and charts showing share allocation among manufacturers.

The Bench of the Commission felt that the comprehensive nature of the evidence provided by Siemens showing unequivocal cartel-like behaviour in switchgears and transformers

merited an immediate grant of leniency to it with a complete reduction in the penalty that could have been imposed.

The Bench of the Commission— felt that collusion in power equipment sector had not only reduced free and fair competition in the market amongst the players to nothing, but had also curtailed their respective efficiencies. "Conduct of business with an over pronounced sense of camaraderie and ensuring quotas to smaller manufacturers or ensuring quotas without considering efficiencies or any amalgam of such considerations erodes the spirit of the free market." The Bench also observed that "we do not wish to undermine the relevance of the point that a procuring agency cannot remain dependant on a single supplier, but the point that

we wish to emphasize is that all involved in the procurement need to remain cognizant of the competition laws in vogue and thus must put in place a more transparent mechanism, which does not promote or in any other way encourage anti-competitive practices."

The Order also highlighted the importance of the leniency programme, most notably to act as a deterrent to cartel formation and keep businesses compliant with competition law. If businesses in a cartel realise that leniency can protect them from financial penalties and loss of reputation in the market, it may encourage them to come forward with relevant evidence and information on how that particular cartel worked to capture the market and reduce competition. This information would help the Commission in understanding how prices were set, markets were allocated, or production quotas were set. And importantly, leniency is time effective. Prosecuting cartels is generally a long-term exercise. With the promise of leniency, evidence is received quickly, as opposed to collecting it over long time frames, and anti-competitive behaviour can be addressed sooner reducing prolonged loss of consumer welfare.

“ If cartel is the virus, leniency is the anti-virus to detect and prevent the harm.

“ The decision by the CCP to grant leniency to Siemens- whereby the company acknowledged that it had colluded in a cartel of power distribution equipment manufacturers- was hailed as a historic achievement by the media terming it as phenomenal and regulatory breakthrough.

INTERNATIONAL CLEARING HOUSE AGREEMENT AMONG LDI OPERATORS

An Exemption Application was jointly filed by Long Distance and International licensees namely; (i) Pakistan Telecommunication Company Limited (PTCL); (ii) Multinet Pakistan (Private) Limited; (iii) 4B General International (Private) Limited; (iv) Wi-tribe Pakistan Limited; (v) Dancom Pakistan (Private) Limited; (vi) Wise Communication System (Private) Limited; (vii) Worldcall Telecom Limited, (viii) ADG (Private) Limited; (ix) Link Direct International (Private) Limited; (x) Telecard Limited; (xi) Circle Net Communications Pakistan (Private) Limited; (xii) Wateen Telecom Limited; (xiii) Redtone

international traffic to PTCL. During the period the ICH Agreement were to be in effect, each LDI were to suspend and keep suspended all interconnection capacities in relation to Pakistan Incoming Traffic at its end. PTCL were to act as the sole LDI operator with the right to exclusively terminate all incoming traffic to Pakistan. PTCL were to sell its call terminating services to foreign carriers at the Approved Settlement Rates of PTA, and each LDI would get a pre-determined fixed quota from PTCL to terminate calls at its network, and receive a fixed share of revenues generated from all in-

“ The LDI Operators’s reliance on PTCL for its voice business will allow PTCL to influence decisions on which carrier to use for his data business and provided PTCL unfair advantage in developing new international business and routes in future.

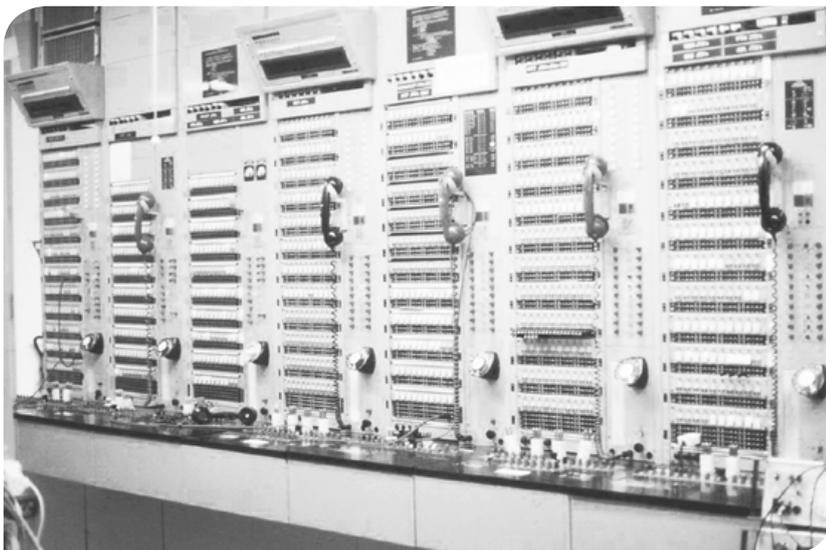
Telecommunications Pakistan (Private) Limited; and (xiv) Telenor LDI Communications (Private) Limited (hereinafter collectively referred to as “LDI Operators”, and the PTCL and LDI Operators collectively referred to as the “Applicants”), under Section 5 of the Competition Act, 2010 to seek exemption for their proposed International Clearing House Agreement (hereinafter referred to as the “ICH Agreement”) entered between PTCL and the LDI Operators.

Through the ICH Agreement, the LDIs intended to assign their rights, granted to them by the Pakistan Telecommunications Authority (PTA) under the LDI license, to terminate incoming

coming international traffic. In essence the ICH Agreement, (i) was giving PTCL the monopoly to receive all incoming international traffic; (ii) having a single rate for incoming international traffic; and (iii) dividing the market share of incoming international traffic.

The Applicants in support of ICH Agreement submitted that it would stabilize the Pakistan international incoming traffic rate as per PTA directive/determination; curb the grey traffic; create a vital impact on the national economy in terms of huge influx of foreign exchange in the country, increased taxes for the Government of Pakistan due to increase in revenue, and revenue for the telecom industry for increasing the tele-density in the country; facilitate implementation of PTA’s Approved Settlement Rates and have great impact on Pakistan’s economy and foreign exchange earnings and will aggregate up to USD 37.5 million per month.

Transworld Associates Private Limited (hereinafter “TWA”) being a competitor of PTCL strongly objected to the formation of ICH and became a necessary party to the proceedings. TWA was of the view that ICH arrangements may not be in the long term interest of the industry and the country as it will not curb grey traffic but instead will encourage more grey traffic which will result in reduced inflow of foreign exchange and undeclared revenue will result in loss to exchequer. The LDI Operators’s reliance on PTCL for its voice business will allow PTCL



to influence decisions on which carrier to use for his data business and provided PTCL unfair advantage in developing new international business and routes in future. The arrangement would reduce the investments made by LDI Operator's for development of their infrastructure which would make them dependent on PTCL. Furthermore, TWA will not be able to compete with PTCL for LDI business. The consumers would also be negatively affected by this arrangement as increasing incoming termination rates will provoke foreign operators to increase outgoing termination rates and reliance on single operator will result in local consumer impacted by higher prices and declining quality. Furthermore, this would lead to reestablishing of PTCL's monopolistic infrastructure.

PTCL on behalf of LDI industry of Pakistan, first submitted its response to concerns raised by TWA. Subsequently, however, PTCL requested the Commission to allow PTCL to withdraw their application for exemption as "the industry has not reached consensus on the modalities of ICH operations." The Commission allowed the withdrawal of the exemption application, however, it was noted that if in future the applicants enter into such agreement/arrangement, notwithstanding, any authorization obtained from any other authority such agreement/arrangement prior to its execution would require clearance from the Commission, as, prima facie, it has serious competition concerns and would attract the provisions of the Competition Act, 2010. ■

COMPLAINT FILED BY ELTEK VALARE A.S

A complaint was filed by M/s Eltek Valere AS with the Commission assailing the issuance of exemption dated 11-02-2011 to Mr. Mohammad Tariq and Mr. Imran Saeed (the "Respondents") with respect to the Shareholder's Agreement dated 22-01-2007 (the 'Shareholders Agreement').

Eltek Valere stated that they had in collaboration with Mr. Mohammad Tariq and Mr. Imran Saeed formed a company under the name of M/s Nextra Communications (Pvt.) Limited (now Eltek Valere Pakistan (Pvt.) Limited-hereinafter referred to as the 'Joint Venture'). Eltek Valere was a majority shareholder with the Respondents in the Joint Venture. However, the Respondents had not informed Eltek Valere, regarding filing of the application dated 10-02-2011 to the Commission for exemption (the "Exemption Application"). Eltek Valere in general alleged that the Respondents have acquired the exemption from the Commission by filing the Exemption Application which was not in conformity with the provisions of Regulation 4(1) of the Competition Commission (General Enforcement) Regulation, 2007 and the Schedule thereof. In specific it was alleged in the complaint that the requirement as prescribed under the Form in Para 1.5 has not been complied with. Therefore, the exemption dated 11-02-2011 granted to the Respondents

on basis of Exemption Application is liable to be cancelled and/or withdrawn on the basis of being not in conformity with the provisions of Regulation 4(1) and the Schedule of the General Enforcement Regulations in addition to the fact that the Respondents have not brought true and actual facts in the knowledge of the Commission for seeking exemption.

The Commission on examination of the complaint and contents of the Exemption Application found that the Exemption Application was filed on the form prescribed by Regulation 4(1) and under 1.5 part of the application, it was also mentioned that an intimation of filing of exemption was given to Eltek Valere. Furthermore, delivery report of the courier service showed that the notice was delivered and received by the Eltek Valere. However, on being provided opportunity of being heard, Eltek Valere informed the Commission that it no longer wished to pursue the complaint; therefore, the same may be treated as withdrawn. As the requirements for filing the Exemption Application had been complied with by the Respondents, the Commission accepted the withdrawal of the Complaint in pursuance of the provisions of Regulation 21 of the General Enforcement Regulations. ■



JOINT VENTURE BETWEEN METRO CASH & CARRY AND THAL LIMITED

Metro Cash & Carry International Holding B.V. (“Metro”) and Thal Limited (“Thal”) filed a joint application before the Commission for the exemption of Joint Venture Agreement (“JVA”) from application of Section 4 of the Act. Through the JVA, Metro and Thal agreed to restructure their respective subsidiaries in Pakistan, namely M/s Metro Cash & Carry Pakistan (Private) Limited (“MCCP”) and M/s Makro–Habib Pakistan Limited (“MHPL”), respectively by forming two separate entities namely, OpCo and PropCo. OpCo will carry on the business of wholesale cash and carry distribution initially through the existing cash and carry centers; whereas the PropCo will own and manage, inter alia, the properties owned by MCCP and MHPL.

The exemption was sought from the non-compete clause in the JVA that expanded the scope of restraint from the business of the Metro and Thal, i.e., “whole sale cash and carry” to include “retail operations”. Therefore, the Commission deemed it appropriate to conduct a hearing in the matter. While considering the conditions mentioned in Section 9 of the Act for grant of exemption, the Commission observed that the JVA will facilitate the growth of the wholesale business as the entities will be able to combine their resources and take advantage of the resulting economies of scale, thereby becoming more competitive and benefiting the consumers. The consumers may directly benefit from the proposed joint venture as OpCo will be able

to provide goods to the customers at competitive prices by securing reducing price margins from suppliers and passing on the benefit to the consumers. Additionally, OpCo will also maintain strict quality control rules to ensure that the products sold, particularly fresh foods, are of a high quality. Accordingly, the Commission issued an exemption to the JVA with a condition that the non-compete obligation will only continue to have effect during the life of the joint venture. ■

“ The Commission observed that the JVA will facilitate the growth of the wholesale business as the entities will be able to combine their resources and take advantage of the resulting economies of scale, thereby becoming more competitive and benefiting the consumers.

NATIONAL POLICE FOUNDATION AND TRI-STAR CABLE TV NETWORK

The Commission conducted an enquiry and issued Show Cause Notices to National Police Foundation and Tri-Star Cable TV Network in Islamabad for, prima facie, entering into an exclusive agreement prohibited under the Competition Act.

The Commission took this action on a formal Complaint from Nayatel (Pvt) Limited, a provider of Internet, Telephony, and Television services in the Islamabad/Rawalpindi region, and numerous informal ones from the residents of National Police Foundation (NPF), that a ten-year Agreement between NPF and Tri-Star Cable TV Network (TCTN) in November 2008 granted exclusive right to TCTN in respect of multi-channel Cable TV and Data Transmission services in Sector E-11(3/4) owned by NPF. This agreement, the complaints said, had restricted consumers from getting service from operators of their choice in the relevant area.

The Commission's inquiry said that the exclusivity clause in the agreement between NPF and TCTN had the object or effect of restricting or reducing competition by:

1. *Creating Barriers to entry* by denying other service providers to provide their services in the area
2. *Denying customers the right to choose* from better of the services and
3. *Discouraging innovation* by restricting the market to one operator and denying opportunity to others to provide a technologically superior product or service.

The inquiry report's recommendation resulted in show cause notices being issued to the respondents. As a result of the Commission's action the parties amended their agreement to bring it in compliance with the Act. After approval of the changes by the Commission the parties brought the new agreement in effect in April 2012. In view of the remedy undertaken by the parties the matter was disposed off by the Commission.

BID RIGGING BY FAIS- ALABAD ELECTRIC SUPPLY

A formal enquiry initiated in the matter under section 37(1) of the Act was a suo moto action taken after examining a tender invited by Faisalabad Electric Supply Company (FESCO) regarding procurement of electricity meters raising suspicion of bid rigging. The main issues addressed in the enquiry were whether

- *The undertakings colluded* to fix the price of LT TOU Meters in the FESCO tender in violation of Section 4(2)(a) of the Act
- *The undertakings colluded* to divide the share in supply of LT TOU Meters under FESCO tender in violation of Section 4(2)(b) of the Act
- *The undertakings are involved* in bid rigging in the FESCO tender in violation of Section 4(2)(e) of the Act

Adjudication is pending in the matter.





UREA PRICES

The Enquiry was a suo moto action based on newspaper reports regarding unusual increase in Urea Prices by all the major urea manufacturers in December 2010. This increase in prices continued at an alarming rate during the following year. The enquiry team was appointed to establish whether

- *The manufacturers in the Urea Industry* enjoyed a position of Collective/Individual dominance in the relevant market and if so
- *Whether they prima facie* abused this dominant position by carrying out an unreasonable increase in prices in violation of Section 3(3)(a) of the Act.

Show cause notices were issued to all the manufacturers in respect of abuse of dominance. The matter is currently under trial before the commission. A final decision/Order is awaited in this regard.

“ Commission took notice of the matter based on newspaper reports regarding unusual increase in Urea Prices by all the major urea manufacturers in December 2010 and initiated the enquiry.

COMPLAINT AGAINST PAKISTAN TELECOMMU- NICATION COMPANY LIMITED

A formal complaint was filed by Mircronet Broadband (Private) Limited, LinkDotNet Telecom Limited and Nexlinx (Private) Limited, alleging that PTCL has abused its dominant position in the market for provision of DSL services by being involved in the practice of predatory pricing and refusal to deal. The Commission initiated an enquiry and appointed enquiry officers to conduct a detailed enquiry. Although, the formal complaint was withdrawn by the DSL Operators, on the basis that the complaint was filed by relying on a PTA determination that has been suspended by the Honourable Lahore High Court, Rawalpindi Bench and that the Complainants were not clear if the Commission has the power to direct PTCL to separate its DSL services accounts. The Commission informed the Complainants that they were free to pursue alternate remedies under any other laws but the Commission remains the competent forum for violations of competition law and withdrawal of a complaint. As per Regulation 21 of the General Enforcements Regulations withdrawal does not abate the proceedings that have been initiated in respect of a complaint. The Commission decided to continue with the enquiry in light of the nature of the allegations and the impact on consumers. The Enquiry Report was completed and submitted by the enquiry officers on 5 June, 2012.

As per the Enquiry Report, the relevant product market is divided into the upstream market for access to the copper infrastructure and the downstream market for the provision of broadband services through DSL technology. PTCL owns the nation wide copper infrastructure which is necessary for provision of DSL broadband services. Also the downstream market has been defined as the market for provision of broadband services through DSL technology as other technologies like Wimax and Evdo are wireless technologies and FTTH uses the

optic fiber network. Therefore, although intended use of all the technologies is to provide broadband services, the characteristics and price range of all the technologies differ. The relevant geographic market for both products was determined to be the whole of Pakistan as PTCL's copper infrastructure is available all over Pakistan and manner of connectivity to



the copper infrastructure is the same. Furthermore, PTCL having a nation wide copper infrastructure holds a dominant position in the upstream market for access to copper infrastructure, which is an essential input for the downstream market. It is also a dominant player in the market for provision of broadband services through DSL technology with continuous expanding number of customers.



The allegations of the Complainants regarding refusal to deal in terms of Section 2 (3) (h) could not be established due to lack of substantive evidence. In light of the dynamics of the market, the practice of margin squeeze as a form of abuse has been established by the enquiry officers rather than predatory pricing. The essentials for proving that an undertaking is involved in the practice of margin squeeze are (i) vertically integrated undertaking present in the upstream and downstream market; (ii) dominant position in the upstream market; (iii) upstream input essential for downstream operators; (iv) margin available to downstream competitor is insufficient; (v) margin squeeze continued for a sufficient duration and (vi) foreclosure of downstream market/ harm to consumers. Based on the findings of cost analysis conducted by the enquiry officers, PTCL being a vertically integrated incumbent, through its pricing for access to its copper infrastructure, has reduced the margins in the downstream retail DSL market to an extent that an equally efficient competitor cannot operate profitably. This margin squeeze by PTCL, through low retail prices has gradually reduced the profit margins of the other retail operators which as per their financial statements are incurring losses. Furthermore, since PTCL's entry in the DSL retail market, the number of total service providers has reduced from 11 to 6 and no new player has entered the market.

Although, generally lower tariffs in the retail market would be regarded as beneficial for customers, however, in this case lower retail tariffs have led to competitors being driven out of the market and may in the long run lead to the creation of a monopolistic situation. This would leave the consumers at the mercy of one super dominant player who will be at its free will to exploit the consumers. The Enquiry Report concluded that PTCL through the practice of margin squeeze has made the market

for provision of broadband services through DSL technology uncompetitive and prohibitive thereby, prima facie, violated Section 3(1) and 3 (2) of the Act.

“ A formal complaint was filed that PTCL has abused its dominant position in the market for provision of DSL services by being involved in the practice of predatory pricing and refusal to deal.

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CHAPTER 6: PREVENTING DECEPTIVE MARKETING



BAYGON- FALSE AND MISLEADING CLAIMS IN ADVERTISING

The Commission received a complaint from M/s Reckitt Benckiser against M/s. S.C. Johnson and Son Pakistan (JSP) alleging that the absolute claim of “No.1 in Pakistan” made in their marketing campaign with respect to all its products under the brand name ‘Baygon’ amounted to deceptive marketing under the Competition Act.

An enquiry conducted by the Commission revealed that the impression created in the advertisements of Baygon had the tendency to mislead consumers, particularly when Dengue Fever and Malaria were on the rise. Moreover, the claim of being “No.1 in Pakistan” could not be substantiated based on Baygon being awarded Brand of the Year in 2010 in certain aerosol products and not the entire range of products under Baygon.

After hearing both parties, the Commission said that the claim ‘No.1 in Pakistan’ lacked reasonable basis and was a clear violation of Section 10 of the Competition Act. It was held that the practice was not only capable of harming the interest of competing undertakings but was more likely to mislead in light of the life-threatening dengue epidemic that had claimed the lives of many in Pakistan. The counsel on behalf of JSP offered the commitment to withdraw the marketing campaign within 10 days of the hearing in light of the directions of the Commission.

An order was passed and, as per their commitment, JSP stopped the marketing campaign and withdrew all material from the public domain. The Commission considered it appropriate enough only to reprimand JSP not to indulge in deceptive marketing practices in future and a penalty was not imposed.

REDEEMABLE COUPONS IN PAINTS- NON DISCLOSURE OF INFORMATION

The Consumer Association of Pakistan gave the Commission information about how paint manufacturers were enclosing redeemable coupons in paint packs without informing the average consumer about this practice

The Commission found that in the absence of any form of disclosure of the presence of the token to the consumer who bought the paint, the painters were getting the coupons redeemed and reaping the monetary benefit rather than the consumer. The practice had been on-going for more than a decade in the Pakistani paint industry with token values ranging from Rs. 50 to Rs. 500, depending on the size of the pack.

Sixteen paint companies were issued show cause notices for non-disclosure of information about the redeemable coupons in paint packs, which amounted to misleading consumers. It was held that the non-disclosure of tokens in paint packs was deceptive in that consumers were not informed about the presence of token and its value, and placing it at the bottom of the paint pack made access even more difficult. It created an unreasonable basis as to the price borne by the consumer.

The onus was on the undertakings to ensure that no information was withheld from the customers as a result of their marketing practices. Non-disclosure could also have the adverse effect of giving an unfair edge to paint companies offering higher value coupons as the painters would naturally have an incentive to purchase paint containing higher token values, and other factors such as quality, durability, etc., may pale in comparison to monetary considerations.

The Commission directed the paint companies to modify all advertisements and promotional materials to disclose the presence and the value of the redeemable coupon, and give adequate disclosure(s) on each pack containing a coupon with the use of bright/conspicuous colour in bold legible size. The paint companies were also directed to issue four advertisements/public notices of A-4 size at fifteen days interval in at least two Urdu and two English newspapers of national circulation, informing the public about the presence and value of the coupon and the category of products in which they were enclosed.

“ It was held that the non-disclosure of tokens in paint packs was deceptive in that consumers were not informed about the presence of token and its value, and placing it at the bottom of the paint pack made access even more difficult.



FRESHER & VIVO JUICE- MISLEADING CLAIMS IN ADVERTISING

The Commission took notice of the advertising campaigns of two juice companies- Al-Hilal Industries and Six-B Food Industries, who claimed that their juices, Fresher and VIVO, were 100 % pure fruit juice.

M/s Al-Hilal was advertising its product Fresher Juice to be “100% pure” fruit juice, while the ingredients at the reverse side in fine print mentioned added sucrose and acidulant. The company admitted to having used fruit pulp reconstituted with water sucrose, acidulants and vitamin C. Hence, the Commission found the claim of “100 % pure” to be unjustified as it lacked reasonable basis and misled consumers into thinking that Fresher Juice was “100% pure” whereas it was like any other packaged juice or nectar with additives.

The Commission also warned Six-B Food Industries for advertising “100 % fruit inside” their product VIVO Juice while the ingredients at the back of the bottle in fine print mentioned sucrose, acidulant, vitamin C, artificial flavour and food colour.

Al-Hilal Industries was issued a show cause notice under Section 10 of the Competition Act following which the company submitted an undertaking to unconditionally remove the claim of 100% pure from all labels as well as print and electronic advertisements of the product Fresher Juice. Similarly, Six-B Food Industries voluntarily submitted an undertaking regretting the violation and removing the claim of 100% fruit inside from all print and electronic advertisements.

Following the remedial action, the Bench of the Commission was of the view that undertakings must say what they mean and show what they sell to prevent deceptive marketing. Keeping in view the cooperation extended, the Commission, owing to its compliance oriented approach, particularly in OFT matters, did not impose any penalty for the committed violation. It was also held in the order that “if there are other undertakings carrying out deceptive marketing of similar nature with respect to juice products they need to be proceeded against in order to rectify such conduct; failing which, the Commission shall take a stricter penal action...”

“ The Bench of the Commission was of the view that undertakings must say what they mean and show what they sell to prevent deceptive marketing.

“ The Enquiry Report emphasized that the deceptive marketing practices of unaccredited institutions offering engineering degrees not only have a huge financial impact on the students and parents but also have other negative socio-economic effects.

ENQUIRIES CONCLUDED

FRAUDULENT USE OF TRADEMARK-DHL

M/s DHL Pakistan (Pvt.) Limited lodged a complaint with the Commission against a number of individuals providing courier services to consumers for fraudulently using the red and yellow DHL trademark in marketing, without approval.

An enquiry by the Commission established that companies like DHL invested heavily in developing a relationship with their customers/consumers through maintaining their reputation and making their goods and/or services distinct from that of other competitors. Therefore, the goods sold or services fraudulently provided under the name of DHL would enable those companies to free ride on DHL's brand name

and if DHL's standards were not met, they could cause substantial damage to the trademark owner's business and goodwill.

The Commission's enquiry held that the practice of using DHL's logo by the respondents had the effect of misleading consumers as to the original owner and might cause substantial damage to DHL's brand name in violation of Section 10 of the Competition Act. It was suggested in the enquiry report that the undertakings should be stopped from advertising their products/services in an unfair and misleading manner and be encouraged to resort to the advertising practices which are transparent and give consumers/customers true and correct information.

DECEPTIVE MARKETING BY ENGINEERING UNIVERSITIES

An article in the newspaper was brought to the attention of the Commission regarding universities/institutions that were offering unaccredited engineering degrees/courses to their students. An enquiry was initiated by the Commission to submit findings on whether institutions offering engineering degrees/courses have been involved in deceptive marketing practices in terms of Section 10 of the Competition Act, 2010.

According to the findings of the Enquiry Report, the Higher Education Commission (HEC) pursuant to its mandate has authorized the Pakistan Engineering Council (PEC) to carry out accreditation of institutions offering engineering degrees/courses. The institutions offering engineering degrees/courses that fulfil the necessary requirements laid down by PEC are granted accreditation and their names are listed in the First Schedule of the Pakistan Engineering Council Act, 1976 (the 'PEC Act') which is updated from time to time. On perusal of advertisements in print and electronic media by various institutions offering engineering degrees/courses for the year 2011, the enquiry officers found that 27 institutions offering engineering degrees/courses in various disciplines were claiming to

have been accredited, approved, allowed or permitted by PEC. However, on comparison of the advertisements with the updated list of the First Schedule of the PEC Act, it was found that none of the 27 institutions had been granted accreditation for the year 2011 as claimed in their advertisements.

The Enquiry Report concluded that the unaccredited institutions offering engineering degrees/courses and claiming to be accredited have, prima facie, violated Section 10 (1) of the Act. These institutions have also, prima facie, disseminated false and misleading information that is capable of harming business interests of others and distributed information to consumers regarding accreditation, lacking reasonable basis relating to the character and suitability of the degrees/courses offered and quality of education in terms of Section 10 (2) (a) and (b) of the Act. The Enquiry Report emphasized that the deceptive marketing practices of unaccredited institutions offering engineering degrees not only have a huge financial impact on the students and parents but also have other negative socio-economic effects. Show Cause notices were issued to the 27 universities for prima facie violation of Section 10 of the Competition Act.



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CHAPTER 7: REVIEWING MERGERS, ACQUISITIONS AND JOINT VENTURES



MERGERS AND ACQUISITIONS

Section 11 of the competition Act mandates the commission to review mergers and acquisitions which have the potential to substantially lessen competition by creating or strengthening a dominant position.

An effective pre-merger review requires a careful analysis of the impact of a merger on competition before it takes place. Section 11 of the Competition Act and the pre-merger notification requirements of Regulation 4 of the Competition (Merger Control) Regulations, 2007, stipulates pre-merger notification thresholds, based on the size of the transaction and the parties. Once an intended merger/

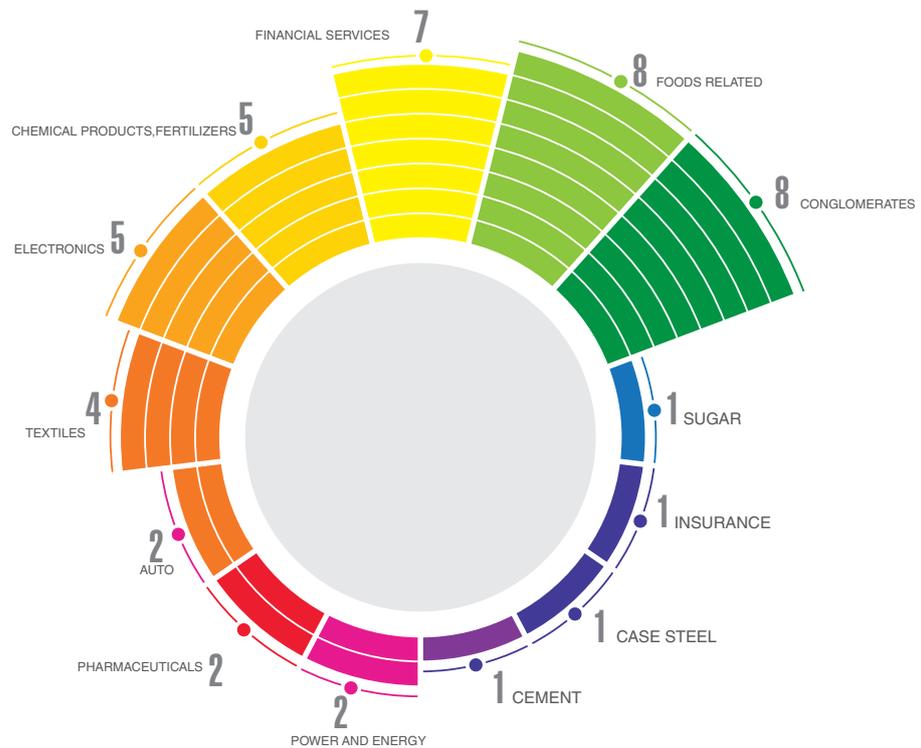
acquisition meets the notification thresholds it becomes mandatory on the parties to notify it to the Commission. A filing fee set at levels depending on the size of the merging parties is payable upon notification.

Typically, most of the mergers reviewed by the Commission that pose little or no threat to competition are issued No Objection Certificates within Phase-I review, i.e., thirty days of the application. But if the possibility of competitive harm is identified in a transaction, a more in-depth investigation, also known as a second phase review, becomes necessary. The Commission has policies and procedures to

identify and remedy competitive issues in such cases within a period of ninety days, starting from Phase-II enquiry.

During the period under review a total of 51 merger/acquisition/joint venture cases were reviewed by the Commission. All were cleared in the initial review, given their minimal impact on competition.

SECTORIAL CLASSIFICATION OF MERGER CASES (NO. OF CASES)



ACQUISITIONS

ACQUISITIONS	
1	Acquisition of G-Five Holdings Corporation by Patsystems (NA) LCC.
2	Acquisition of mineral water plant of Sparkletts (Pvt) Limited by Murree Brewery Company Limited from Hashoo Group.
3	Acquisition of 93% shares of Karot Power Company (Private) Limited by China International Water and Electric Corporation.
4	Acquisition of 166.869 million (17.55%) shares of KASB Bank Limited by KASB Finance (Private) Limited.
5	Acquisition of 17,647,059 (22.06%) shares of Daewoo Pakistan Express Bus Service Limited by Greentown Holdings Korea Inc.
6	Acquisition of 15,294,117 (19.11%) shares of Daewoo Pakistan Express Bus Service Limited by Greentown Holdings (BVI) Inc., UK.
7	Acquisition of 40% shares of PICIC Insurance Limited by Excel Insurance Company Limited
8	Acquisition of 100% equity interest of China RFD Investment Limited from Lianyuan RH Investment (Hong Kong) Limited by Akzo Nobel Chemicals International B.V, resulting in Akzo Nobel Chemicals, holding through China RFD Investment Limited, the 90% equity interest in each of Boxing CRE Oleochemicals Co., Ltd, CRE Oleochemicals Boxing Co., Ltd and Shandong CRE Oleochemicals Co., Ltd.
9	Acquisition of 47,058,824 (58.82%) shares of Daewoo Pakistan Express Bus Service Limited by Pakistan G.T. Holdings Company (Private) Limited.
10	Acquisition of 100% of the share capital of Gojra Samundri Sugar Mills Limited (Gojra) by Mr. Yousaf Abbas Sharif and Mr. Aziz Abbas Sharif.
11	Acquisition of 82% shares of Network Microfinance Bank Limited (NMBL) by a Group of Investors (comprising Jamshed Iqbal Cheema, Muhammad Azam Cheema, Qamar Uz Zaman, Mian Muhammad Akram Shahid, Shoab Ahmed Butt, Shahida Bilquis & Ejaz Ahmed Khan).
12	Acquisition of 549,600 (5.46%) shares of Atlas Battery Limited by Shirazi Capital (Private) Limited
13	Acquisition of Sea and Land Drilling Contractors Inc. by SES Holdings Limited and the transfer of certain assets from Schlumberger Seaco Inc. to Sea and Land Drilling Contractors Inc.
14	Acquisition of 124,845 shares of Sanofi-Aventis Pakistan Limited by IGI Insurance Limited.
15	Acquisition of 35,867,417 shares of JS Global Capital Limited by JS Bank Limited.
16	Acquisition of Synthes, Inc. by Johnson & Johnson.
17	Acquisition of 4.86 million (45%) shares of Dadex Eternit Limited by Sikander (Pvt) Limited.
18	Acquisition of 21.88% shares of Uster Technologies Limited by Toyota Industries Corporation, Japan.
19	Acquisition by Metinvest B.V of indirect control of PJSC Integrated Iron & Steel Works Zaporizhstal
20	Acquisition of the assets constituting the Tang business of Clover Pakistan Limited by Kraft Foods Pakistan Limited
21	Acquisition of 85% of the share capital and control of Oasis Insights (Pvt.) Ltd by Russell Square Holding B.V.
22	Acquisition of acquisition of 100% of the shareholding of MIMA Cotton Mills Limited by Indus Dyeing & Manufacturing Co. Limited
23	Acquisition of 378,000 shares valuing Rs.44.295 million of Clover Pakistan Limited by Siza Private Limited
24	Acquisition of 347,760 shares valuing Rs.40.75 million of Clover Pakistan Limited by Siza Commodities Private Limited
25	Acquisition of 11,657,213 shares (20% shares) of Matco Rice Processing (Pvt.) Limited by International Finance Corporation
26	Acquisition of assets valuing PKR 2.25 billion of Progas Pakistan Limited by SSGC LPG (Pvt.) Limited
27	Acquisition by Coca-Cola company through Atlantic Industries or by its affiliate of 50% stake in TMCO incorporated under the name Rani Refreshments FZCO.
28	Acquisition by Coca-Cola company through European Refreshments or by its affiliate of 49% stake in ACCBC KSA incorporated under the name Aujan Beverages LLC.
29	Acquisition by Coca-Cola Company through European Refreshments or by its affiliate 49% stake in a new entity ACCBC DIFC incorporated under the name Aujan Beverages Corporation Limited.
30	Acquisition of 3,510,000 shares of Colgate-Palmolive (Pakistan) Limited by Siza Private Limited.
31	Acquisition by AkzoNobel N.V through its wholly owned subsidiary AkzoNobel Coatings International B.V of more than 50% shares and exclusive control of Metlac Holding S.r.l., as well as exclusive control of Metlac S.p.A.
32	Acquisition of 35%-55% voting shares of Pakistan International Container Terminal Limited (PICT) by ICTSI Mauritius Limited.
33	Acquisition of 3,000,000 shares of Converge Technologies (Pvt) Limited by Cavendish Square Holding B.V.
34	Acquisition of 1,806,759 shares (20 to 25% of the total shareholding) of ACR Capital Holdings PTE Limited by Marvel Project Holding BV
35	Acquisition of 32,260,000 shares of Hub Power Company Limited by Cyan Limited.
36	Acquisition of 20,000,000 shares of Hub Power Company Limited jointly by Elixir Securities Pakistan Pvt Limited, M/s. Patek Pvt Limited, Hajiani Hanifa Bai Memorial Society and Mr. Hussain Dawood.

37	Acquisition of 137,740,000 shares of Hub Power Company Limited by Dawood Hercules Corporation Limited and DH Fertilizers Limited.
38	Acquisition of 115,000,000 (67.4%) shares of Khushhali Bank Limited by United Bank Limited led consortium.
39	Acquisition of IMI Omar Private Limited by IMI Fabi S.p.A. Italy, Mr. Jamshed Omar, Mr. Nadeem Omar and Mr. Asim Omar.
40	Acquisition of all of the shares of Unique Investments (Private) Limited by United Distributors Pakistan Limited (UDPL) in exchange of 1,388,368 shares of Searle Pakistan Limited held by UDPL.
41	Acquisition of 99.99% shares of Sigma Leasing Corporation Limited by KASB Finance (Private) Limited

MERGERS

1	Merger of Paints Undertaking of ICI Pakistan Limited inclusive of the Paints Business and all assets, rights, liabilities and obligations with and into Akzo Nobel Pakistan Limited.
2	Merger of certain assets and properties of Feroze Textile Industries Private Limited with and into Feroze 1888 Mills Limited as outlined in the scheme of merger.
3	Merger of certain assets and properties of Feroze Textile Industries Private Limited with and into UTI Industries (Pvt) Limited as outlined in the scheme of merger.
4	Merger of certain assets and properties of Feroze Textile Industries Private Limited with and into Friendship (Pvt) Limited as outlined in the scheme of merger.
5	Merger of Wire Products (Pvt) Limited and its Members with and into Lahore Cables and Engineering (Pvt) Limited.
6	Merger of Ghani Southern Gases (Private) Limited with and into Ghani Gases Limited.
7	Merger of all the business, assets, rights and liabilities of HSBC Bank Middle East Limited, Oman Branch into Oman International Bank S.A.O.G. Limited.
8	Merger of King's Food (Private) Limited with and into Hilal Confectionery (Private) Limited.
9	Merger of KASB Stock Market Fund with and into Crosby Dragon Fund.
10	FFC MERGER CLEARANCE ORDER

JOINT VENTURE

1	Joint venture involving the reconstruction of the operations and the real estate of Makro Habib Pakistan Limited and Metro Cash & Carry Pakistan (Pvt) Limited.
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FFC MERGER CLEARANCE ORDER

The Commission after hearing all the parties in the matter of acquisition of 79% shares of M/s Agritech Limited (the 'Agritech') by M/s Fauji Fertilizer Company Limited (the 'FFC'), issued an N.O.C to FFC on 26 January 2011 and imposed certain conditions.

FFC impugned the conditions and not the entire Order before the Honourable Islamabad High Court. The Honourable Islamabad High Court after hearing both the parties i.e. FFC and the Commission dismissed the Writ Petition No. 543/2011 and observed in its judgment that under the provisions of Regulation 11(5)(b) of the Competition (Merger Control) Regulations, 2007 the Commission is empowered to impose the conditions. It was also observed that under the provisions of Section 11(13) of the Competition Act, 2010 read with Regulation 17 of the Merger Control Regulations the Petitioner has the right to file the review within one year of the Order of the Commission. FFC assailed the Order passed by the Honourable Islamabad High Court before the Honourable Supreme Court of Pakistan in C.P. No. 752/2011. The Honourable Supreme Court of Pakistan after hearing both FFC and the Commission observed in its Order dated 26 July 2011 that the Order of the Commission is set aside to the extent of imposing of the conditions and remanded the case to the Commission to dispose off the matter in relation to the imposing of the

conditions, after hearing the parties. The Commission was directed to issue a certificate holding as to whether the conditions are to be imposed or not and this exercise shall be completed within a period of one month.

In pursuance of the Order of the Honourable Supreme Court, hearing notices were issued to parties and parties were directed to furnish their submissions in writing before the Commission with respect to validity and/or applicability of conditions imposed by the Commission. FFC was required to propose conditions which were amenable to them, while taking into account Commission's concern which were shared during the hearing. FFC, accordingly, submitted its written submissions along-with the proposed amendments in the conditions.

The Commission partially accepted FFC's first condition, as it was revealed during the course of the hearing that the price of Tara and Sona brands had roughly become the same which was not the case at the time of the filing of the initial pre-merger application. In view of the pricing information the Commission revised FFC's first condition so that while the two brands are maintained separately till the time Tara is upgraded to the recognized quality standards of Sona brand. This quality enhancement shall be certified by third party independent industry consultant/expert detailing the quality enhancement aspects in the certification report that is acceptable to the Commission. Provided the ex-mill dealer transfer price difference between Tara brand is lesser than Sona brand on the date of acquisition/merger taking effect and shall be maintained till quality enhancement. Provided further if at the date of acquisition/merger, the price of Tara is higher than Sona, FFC shall not be entitled to sell/offer Tara at the ex-mill price not higher than Sona as long as it maintains these two separate brands.

The second condition as proposed by FFC was accepted, however, keeping in mind that the market share of FFC had already increased prior to the acquisition of Agritech and is likely to increase post the acquisition, FFC shall submit a quarterly price report with respect to all its fertilizer products for a period of 2 years. This is to ensure that the Commission can monitor and prevent any likely abuse of dominant position in terms of Section 3. In respect of the submission of FFC's revised condition that approval of acquisition may be reviewed within one year if the same is in violation of provisions of the Competition Act and Regulations thereunder, the Commission held that condition (iv) imposed by its earlier order would apply instead as the Commission has power to impose such conditions and ensures that FFC ensures compliance with the regulatory agency's concerns. The NOC was issued to FFC in respect of the proposed merger subject to the revised conditions.

ACQUISITION & MERGER FACILITATION OFFICE (AMFO)

The Commission facilitates and provides guidance to undertakings, law firms, and other stakeholders for any questions they may have regarding the pre-merger review process. Whether the advice sought is done so telephonically or in writing. Information and non-binding advice is given in accordance with section 28(1)(d) of the Competition Act and the guidelines on AMFO available on the Commission's website. During the year, more than thirty undertakings, law firms and consultants were facilitated on different issues relating to merger application filings and related issues. Non-binding written advice was given in the following cases.

1: MERGER OF PAINT BUSINESS OF ICI PAKISTAN LIMITED WITH AND INTO AKZO NOBEL PAKISTAN LIMITED

M/s. Vellani & Vellani, Advocates and Legal Consultants, on behalf of their client Akzo Nobel N.V sought the advice of the Commission in the matter of merger of paint business of ICI Pakistan Limited with and into Akzo Nobel Pakistan Limited. From the information supplied by the applicant

it was observed that there was no relationship of subsidiary/holding company between Akzo Nobel Pakistan Limited and ICI Pakistan Limited or ICI Omicron or Akzo Nobel N.V. It was clear that this transaction did not fall under the category of exemption under Regulation 4A(ia) of the Regulations and therefore, the merger parties were required to submit a pre-merger application to seek clearance from the Commission.

2: MERGER OF BAYER CROPSCIENCE (PRIVATE) LIMITED WITH AND INTO BAYER PAKISTAN (PRIVATE) LIMITED.

M/s. Bayer CropScience (Private) Limited sought advice of the Commission asking whether a transaction between a subsidiary and the holding company is exempt from filing pre-merger notification or not. The transaction involved a merger of two companies in Pakistan, namely Bayer Pakistan (Private) Limited and Bayer CropScience (Private) Limited by the transfer to and vesting in Bayer Pakistan of the entire undertaking of Bayer CropScience. Both are associated undertakings. Bayer Schering Pharma AG, Germany held 100% equity in Bayer Pakistan (Private) Limited and Bayer CropScience AG held 100% equity in Bayer CropScience (Private) Limited; and both Bayer Schering Pharma AG, Germany and Bayer CropScience AG, Germany are wholly owned subsidiaries of Bayer AG, a company incorporated in Germany. From the information supplied by the applicant it was observed that both the merger parties i.e., Bayer CropScience (Private) Limited and Bayer Pakistan (Private) Limited were indirect subsidiaries of M/s. Bayer AG, a company incorporated in Germany. Therefore, under Regulation 4A(ia), this transaction was exempt from filing pre-merger notification with the Commission. Applicant undertaking was issued with the Commission's advice accordingly.

3: ACQUISITION OF DUBAI BAK PJSC BY EMIRATES PBD PJSC.

When Emirates NBD PJSC acquired Dubai Bank, the transaction also gave them ownership of 24.82% shares of BankIslami Pakistan Limited, which were held by Dubai Bank. They enquired whether they were liable for clearance from the Commission for the said acquisition or not. The information and the relevant documents were examined and scrutinized by the Commission and the applicant was advised that on acquisition of Dubai Bank, Emirates NBD PJSC also acquired the shares of BankIslami Pakistan Limited, for which they were required to get clearance from the Commission.

4: ACQUISITION (I) BY ASKARI CEMENT LIMITED (ACL) OF ARMY WELFARE TRUST (AWT)'S ASKARI CEMENT NIZAMPUR BUSINESS (II) ACQUISITION BY FAUJI FOUNDATION FROM AWT OF THE WHOLE OF THE SHARES OF ACL.

Advice of the Commission was solicited by Fauji Foundation in two different transactions. First, acquisition by Askari Cement Limited (ACL) - a wholly-owned subsidiary of Army Welfare Trust (AWT) - of Askari Cement Nizampur (ACN), a wholly-owned subsidiary of AWT, in consideration of ACL issuing new shares to AWT equal to the price of ACN and second, after completion of the above mentioned transaction, Fauji Foundation (FF) would acquire the entire shares of ACL from AWT. The relevant documents were thoroughly reviewed and scrutinized by the Commission and it was observed that the first transaction, where both ACL and ACN were subsidiaries of AWT, was exempt under Regulation 4A(i) of the Competition (Merger Control) Regulations, 2007. The second transaction, where there was no holding company/subsidiary relationship between Fauji Foundation, the acquirer and ACL, the target, the transaction was subject to clearance from the Commission under Section 11 of the Competition Act. Accordingly, this recommendation was issued to the applicant.

CHAPTER 8: ENGAGING IN ADVOCACY



Advocacy is an important activity which aims at creating, expanding and strengthening awareness of competition in the economy. Like many other competition agencies around the world, the Commission promotes competition through advocacy as well as enforcement. The Commission has been focusing its efforts on what it calls knowledge-based advocacy to create awareness of the law. This sensitization of the stakeholders, including the public and private sector, legal community, academia, media, and the government, is being carried out through a well-articulated advocacy strategy developed by the Commission's Advocacy Department. Extensive and focused advocacy efforts include national and international conferences, seminars, training workshops, roundtables, media appearances, sessions of the Competition Consultative Group and bilateral meetings with sector regulators.



International conference on
**Competition Enforcement Challenges &
 Consumer Welfare In Developing Countries**
 1st - 2nd December, 2011 | Islamabad

**2ND INTERNATIONAL CONFERENCE ON “COMPETITION ENFORCEMENT CHALLENGES AND CONSUMER WELFARE IN DEVELOPING COUNTRIES”
 (1-2 DECEMBER, 2011)**

The Commission held its 2nd International Conference on 1–2 December 2011 in Islamabad in collaboration with the Competitiveness Support Fund of the USAID. The theme of the conference was Competition Enforcement Challenges and Consumer Welfare in Developing Countries.

The conference provided a rare opportunity to hear from internationally acclaimed experts on competition law representing 50 countries from the Americas, Europe, Africa, Far East, and South Asia. The local panelists included representatives of the consumer right associations, the business community, the Competitiveness Support Fund, and the Government of Pakistan in addition to that of the Commission. The Conference participants included senior management members of corporate firms from across all sectors of the economy, legal community, academia, autonomous bodies, state-owned enterprises, other public and private institutions, media and the Government of Pakistan.

The Conference addressed five themes: Challenge for Competition Agencies to Deal with Cartels and Cartels in Disguise;

Deceptive Marketing & Consumer Protection; Lessons Learnt and Sharing of Country Experiences in Advocacy and Enforcement; State Aid and Distortion in Competition, and; Public Procurement/Collusive Bidding affecting Consumer Welfare. In these sessions, the panelists shared their perspectives and experiences in the enforcement and advocacy of competition law in their respective countries

The conference aimed to examine the status of Competition enforcement in various jurisdictions with particular reference to the emerging economies such as Pakistan. It also discussed and explored the ways to strengthen the relationship between competition enforcement and consumer welfare in Developing Countries.

The Conference underscored the shared commitment of the governments of Pakistan and the United States of America to promote healthy competition and to make the private sector more competitive.

The Sessions

In the opening session, Federal Minister for Finance, Revenue, Economic Affairs, Statistics & Planning and Development, Dr Abdul Hafeez Shaikh was the Chief Guest. The opening session was attended in large number by representatives of business community, legal community, consumer right groups, trade associations, academia, media, and officials of the Government of Pakistan

Speaking on the occasion, the Finance Minister lauded the work being done by the Competition Commission of Pakistan saying that the institution will be further strengthened to work towards a competitive economy. The Commission's Chairperson, Rahat Kaunain Hassan in her opening remarks touched upon key areas of competition law enforcement, advocacy and the challenges



OPENING SESSION

faced by the Commission in implementing the law. She said that the purpose of this conference was to create awareness about the significance of a competition regime for our economy and highlight some of the more critical challenges we face in its enforcement.

On first day of the Conference, three sessions were held i.e. Challenge for Competition Agencies to Deal with Cartels and Cartels in Disguise and; Deceptive Marketing & Consumer Protection; Lessons Learnt and Sharing of Country Experiences in Advocacy and Enforcement. Presentations were given by Mr. Manuel Sebastiao President, Portuguese Competition Authority, Mr. Halil Baha Karabudak, Advisor to Chairman, Turkish Competition Authority, Turkey, Dr. Paulo Burnier da Silveira, Head of International Affairs, CADE, Brazil, Mr. Khalid Mirza, Former Chairman, Competition Commission of Pakistan, Mr. Russell Damtoft, Associate Director, Office of International Affairs, US Federal Trade Commission, Dr. Huma Bukhari, President, Consumers Forum, Karachi, Mr. Tounakti Khalifa, Director-General, Tunisian Competition Council, Ms. Halima Bensouda Morocco, Dr. Robert Ian McEwin, Professor, National University, Singapore.

The panelists shared their perspectives and experiences in the enforcement and advocacy of competition law in their respective countries. They lauded the role of Competition Commission of Pakistan in the enforcement and advocacy of competition law.

On the second and last day of the Conference, the Honourable Prime Minister of Pakistan, Syed Yousaf Raza Gilani, was the chief guest. The chief guest session was also attended by Mr. Hafeez Shaikh, Federal Finance Minister, Mr. Andrew Sisson, Coordinator for Economic & Development Assistance, Embassy of the United States, Islamabad, and Mr. Shahab Khawaja, Chief Executive Officer of the Competitiveness Support Fund/USAID besides the international and local panelists and participants, and officials of the Commission.

The Prime Minister, in his address, praised the Competition Commission of Pakistan for being quite active since its inception in addressing competition issues. He said the institution will be further strengthened by resolving its pending issues, i.e., the funding issue faced by the Commission.

On the second day of the Conference, two sessions were held on State Aid and Distortion in Competition, and Public Procurement and Collusive Bidding Affecting Consumer Welfare. The Session on “State Aid and Distortion in Competition” was chaired and moderated by Dr. Nadeem

SESSION 1:
Challenge for Competition Agencies
to Deal with Cartels and Cartels in
Disguise



ul Haq, Deputy Chairman, Planning Commission, and its panelists included Mr. Miek Van der Wee, Head of Unit, International Relations, DG Comp, European Commission, Dr. Joseph Wilson Member, Competition Commission of Pakistan, Professor Kriengsak Chareonwongsak, President, Institute of Future Studies for Development, Bangkok, Thailand, Mr. Pradeep Mehta Secretary General, Consumer Unity and Trust Society, India, Mr. Ali Demiroz, Turkish Competition Authority & Board Member of, the State Aids Monitoring and Supervision Board, Turkey.

The session on Public Procurement and Collusive Bidding Affecting Consumer Welfare, was chaired and moderated by Mr. Shahab Khawaja, CEO, Competitiveness Support Fund, and its panelists

SESSION 2:
Deceptive Marketing & Consumer
Protection

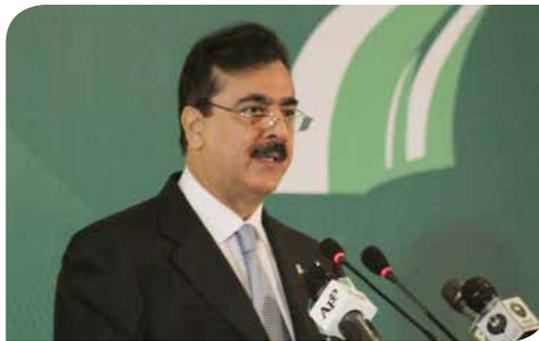


included Mr. Abdul Ghaffar, Member, Competition Commission of Pakistan, and Dr. Kusha Harak-singh, Chairman, Caribbean Community (CARICOM), Competition Commission.

SPEECHES

Syed Yousaf Raza Gilani

Prime Minister



It is a matter of pleasure for me to address this Conference on the subject of “Competition Enforcement: Challenges and Consumer Welfare in Developing Countries.” It is a matter of satisfaction that the Conference has brought together experts from various sections of society as well as from abroad. I hope the deliberations here would be quite productive and would help the government formulate right policies in the light of the recommendations of the Conference. I would take this opportunity

to congratulate the Competition Commission and the Competitiveness Support Fund for organizing this Conference.

The phenomenon of globalization has brought the world together with shared stakes. It is an era of interdependence. We can exchange goods and services with a greater number of countries as the phenomenal growth of information technology has reduced distance to mere seconds. The emergence of integrated markets has spurred competition. Competition is the name of the game in every walk of life and it is all around.

This is one of the fundamental outcomes of globalisation. In highly competitive environment, the role of governments is to create enabling conditions for businesses to operate with maximum ease. To prevent market failures, cartelisation and the abuse of dominance, institutions like the Competition Commission have been created around the globe.

I am told that the number of countries having competition laws and competition agencies have increased from a handful in 1990 to more than 120 today. Nobel Prize winning economist, Joseph Stiglitz, once said, “A strong competition policy is not just a luxury to be enjoyed by rich countries.”

I believe, competition laws must reflect national priorities and take national peculiarities into consideration. Obviously, our main national priority is economic development of the country, the ability to provide goods and services to our people at affordable prices, and to create better opportunities for their livelihood.

People’s expectations from the democratic government are understandable and justified. However, for two years in a row, floods, energy and security situation have slowed down our economic growth.

Nonetheless, due to timely interventions of the government, the country has been able to build strong economic fundamentals. As a nation, we have shown a remarkable resilience in the face of these challenges. Our exports are all time high. Pakistan has become a wheat exporting than a wheat importing country.

Our foreign exchange reserves are at a comfortable level. Foreign remittances are more than 11 billion dollars. The country is on the trajectory making a turn around.

In 2011, the government released the New Growth Framework after taking the relevant stakeholders into confidence. The Framework document underscored the importance of competitive markets as an element of economic governance. It also identified competitive markets as the starting point towards increasing efficiency and bringing about innovations to promote and sustain economic growth.

I believe that markets must be allowed to determine optimal allocation of resources. Incentives need to be given for innovation and entrepreneurship because the government should not be the sole driver of economic growth or job provider.

“ The Framework document underscored the importance of competitive markets as an element of economic governance. It also identified competitive markets as the starting point towards increasing efficiency and bringing about innovations to promote and sustain economic growth.

The Competition Commission has been quite active since its inception in addressing manipulation of market. And like most countries, it has also faced opposition as it has challenged powerful vested interests. Nevertheless, the Commission enjoys continued support and acknowledgment of the government.

Our recognition of the importance of competition law and the Competition Commission can be judged from the fact that the Competition Ordinance of 2007 was re-promulgated twice to ensure continuity of the Commission's important work. Because of our efforts and resolve to institute competition as the law of the land, the Ordinance was given approval as an Act of the Parliament in October 2010.

International recognition and evaluation is a valuable barometer for judging the performance of an entity. I am pleased to learn that the Commission was chosen and given a fair rating this year by the Global Competition Review.

This international recognition and feedback, I am sure, would help the Competition Commission in transcending to global standards of excellence.

The emergence of a competitive market is an evolutionary process. Mere deregulation will not achieve this goal. Building the culture of competition and an effective competition regime is a long-term endeavour. Competition must be mainstreamed in all sectors.

Advocacy is needed for a new competition regime to succeed. People need to understand why competition is good for the economy, and how to apply competitive principles to business decisions, both in public and private sectors.

There is a need to overcome the fear of and opposition to competition by emphasizing its benefits and by creating a good pro-investment climate. Thus, pro-competition policies must not only be well constructed but duly maintained to guard against anti-competitive behaviour in the market.

Promotion of competition culture needs a strong and independent institution capable enough to point out when and where competition is being compromised or vested interests are working against economic growth. This independence, in my view, means both political and financial independence. People should perceive the competition law as a tool for realizing the full potential of the economy for their benefit.

In the end, I am aware that due to the critical matter of funding the Commission's operations remain unresolved.

Let me take this opportunity to assure you that in the same manner the democratic government supported the passage of the law through the Parliament, it will focus attention on providing the Commission a secure source of funding to carry on its important work.

I thank you all!

Pakistan Paindabad!

Dr. Abdul Hafeez Shaikh,

Federal Minister



I am pleased to have this opportunity to share my thoughts with all the participants at this conference organised by the Competition Commission of Pakistan and USAID's Competitiveness Support Fund.

Any nation's prosperity depends on its competitiveness, which is based on its productivity vis-à-vis goods and services. The sophistication of company operations and strategies and the quality of the microeconomic business environment in which companies compete are important

but not sufficient factors. It also needs sound macroeconomic policies and stable political and legal institutions.

I personally believe that the discipline imposed by competition is the best tonic for business. It promotes efficiency, fosters innovation, encourages entrepreneurship, and prepares our firms for global competition, which requires speed, agility, and responsiveness.

As John Kay of the Financial Times said, "You can become wealthy by creating wealth or by appropriating wealth created by other people. When the appropriation of the wealth of others is illegal it is called theft or fraud. When it is legal, economists call it rent-seeking." So, at the same time, we need to keep an eye on mature sectors or those which were privatised recently, where historically large market shares may create incentives for firms to collude against their customers or new entrants to protect their rents.

I personally believe that the discipline imposed by competition is the best tonic for business. It promotes efficiency, fosters innovation, encourages entrepreneurship, and prepares our firms for global competition, which requires speed, agility, and responsiveness.

We will also have to be vigilant against any attempt to raise a protectionist wall around the internal market – which is a stronger temptation during economic slowdowns such as the one taking place now.

In today's global market, size doesn't matter. Everybody is competing against everybody else, regardless of their location, employees, assets, etc. We want, indeed expect, a level playing field for everybody in this country for them to rise to the challenge of what it means to be in business today.

“ I am glad that Pakistan has good competition laws to promote business environment, competitiveness and protect the consumers rights.

SUMMARY OF SPEECH OF FINANCE MINISTER ABDUL HAFEEZ SHAIKH IN THE INAUGURAL SESSION

Minister for Finance and Economic Affairs, Dr Abdul Hafeez Shaikh on Thursday said lack of competitive environment has resulted in poor performance of public sector entities such as power sector, Pakistan International Airlines and Pakistan Railways.

The minister said the government has started developing new market structure so as to enable PSEs to compete with private sector and improve their efficiency. Good competition law is vital to promote business environment and good regulatory framework to improve the economy, he added.

He said in his inaugural address at the 2nd two-day international conference titled “Competition Enforcement Challenges and Consumer Welfare in Developing Countries” on Thursday. Competition Commission of Pakistan (CCP) in collaboration with Competitiveness Support Fund (USAID) has arranged the event. Around 50 competition experts from foreign countries are participating in the conference.

Hafeez said our exports are on continuous rise and remittances showing growth at a faster pace. “The positive economic indicators are pointing towards a new Pakistan keeping in view current trends of remittances, exports, revenue collection and other key indicators,” he added.

He said the Federal Board of Revenue has shown 28 percent increase in the first five months (July-November) over the corresponding period of previous fiscal year.

He observed that the FBR has collected Rs.640 billion during first five months (July-November) 2011-12 as compared to Rs 500 billion in the corresponding period last fiscal year, showing a growth of 28 percent.

He said due to prudent fiscal and economic policies of the PPP govt, the economy is now on the right track as both internal and external sectors of economy are resilient despite shocks such as floods and earthquake.

He said it is for the first time in the history of Pakistan that the FBR has shown such an extraordinary growth during three months. “Currently we have historic figure of revenue collection,” he claimed.

Hafeez said the government job was to ensure strong policies and regulatory framework for the private sector to promote national economy. “I am glad that Pakistan has good competition laws to promote business environment, competitiveness and protect the consumers rights,” he added.

Recalling the sluggish economy of previous government, the minister said that before 2008 the current account deficit was at 8 percent of the GDP. Similarly, fiscal deficit was at 7.3 percent with high inflation rate touching 28 percent.

He said the government has empowered provinces by allocating them additional amount of Rs.800 billion under the new National Finance Commission (NFC) Award to enhance provinces' spending on social sectors.

He said for the better performance of economy, the government is targeting direct subsidy to poor for their social protection and Rs.60 billion have been allocated under the Benazir Income Support Programme (BISP). He said that media is free for comments and criticism in Pakistan. Judiciary is working independently while the office of Chief Accounting Officers or Public Accounts Committee is headed by the leader of the opposition.

SUMMARY OF SPEECH OF FINANCE MINISTER ABDUL HAFEEZ SHAIKH IN THE CHIEF GUEST SESSION

“ Private sector is the engine of growth and government has removed entry barriers, and is trying to provide a level-plying field to ensure participation of private sector in country's sustained economic growth.

Addressing the special session, Federal Minister for Finance Dr Hafeez Shaikh said that private sector is the engine of growth and government has removed entry barriers, and is trying to provide a level-plying field to ensure participation of private sector in country's sustained economic growth. He said that competition in economy is essential to improve efficiencies and fair play in the country.

The finance minister, in his address said Pakistan was the most business friendly country of the region offering a number of incentives to the investors. He said the government encouraged foreign investment and there were no trade barriers in the way of foreign investment. He said that private sector was the engine of growth of any country's economy and it was government's responsibility to ensure appropriate measures along with provision of best possible policies, services and resources to facilitate the private sector for promotion of economic growth and job creation.

Dr Shaikh reiterated the government's commitment towards strengthening the CCP by resolving the pending issue of 3 percent fee. He said CCP Chairperson Rahat Kaunain Hassan on the occasion highlighted the achievements of the commission for the promotion of competitive business environment for the welfare of the people. She said the commission had a dedicated team and she had the confidence in its hard work and tenacity in encountering daunting challenges. She thanked the government for its support to the commission in the passage of Competition Law and hoped that the government will resolve all pending issues including the 3 percent fee and appointment of the Competition Appellate Tribunal.

Ms. Rahat Kaunain Hassan

Chairperson



The Honorable Minister for Finance Dr. Abdul Hafeez Sheikh, Chairman of the Competition Appellate Tribunal Mr. Justice Rtd Faqir Mohammad Khokhar, distinguished experts and delegates, worthy representatives of the public and private sector, academia, ladies and gentlemen.

On behalf of Competition Commission of Pakistan, I warmly welcome you all at the 2nd International Conference on “Competition Enforcement: Challenges & Consumer Welfare in Developing Countries”. The purpose of this conference is to create awareness about the significance of a competition regime for our economy and highlight some of the more critical challenges we face in its enforcement. We look forward

to enrich ourselves by learning about the experiences of the developed and other developing regimes. We see your presence as an endorsement of our mandate - to provide, free competition in all spheres of commercial and economic activity to enhance economic efficiency and to protect consumers from anticompetitive behavior. We thank you for the confidence reposed in us.

We recognize that this is a mammoth task. Unlike developed regimes, however, we have had to struggle - for as basic a constituent as a statute and the resources funding the establishment of our agency; the Competition Commission of Pakistan.

One must remember that competition law is only a sub-set of competition policies, which simply put are a set of pro-competitive economic measures taken by the Government (be it relating to trade, labour or investment). The more robust these policies are; the better the enforcement of law and higher the chances of enhancing economic efficiency. The consumers stand to gain the most from greater competition. Competitive markets encourage more trade (export and import), lower prices, provide greater choice and more employment.

Markets do not foster growth on their own. Market is only an instrument, just the way currency is. It is these policies (set of pro-competitive measures taken by the government) along with the effective enforcement of competition law, which make markets work. These include measures intended to: ease market entry barriers; guarantee equal business opportunity; inject market principles into the process of privatization; play the role of competition advocate in order to ensure that sectoral policies follow market principles; develop a culture of competition by instilling a competitive mindset; deregulation; nondiscrimination; transparency; and accountability.

The Competition Commission of Pakistan from its very inception had to compete for its survival and for recognition of its role. It continues fighting powerful lobbies, vested interests, parochial instincts, deep rooted biases and ignorance that is customary. Mere transition from Ordinance (temporary legislation) to an act of parliament took four years, in which there were

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2 re-promulgations of presidential Ordinances and 2 months of suspension of law. (17-08-2010 till 06- 10-2010). This was the biggest challenge when I was appointed Chairperson in July 2010, I recall, some of my friends reminding me that my tenure was only for a few days - less than a month – and that it would expire along with lapse of the Ordinance on 17-08-2010. The Ordinance did lapse but it was not the end.

I must thank the dedicated team of CCP for their hard work and tenacity in encountering daunting challenges (appointment and re- appointment of members and acute financial constraints). At that critical juncture, the Government did extend due support and *I must acknowledge that it came even from the highest level. The Ministry of Finance during all this time was reassuring and eventually the Competition Act, 2010 was passed.*

We must appreciate, there was timely and smooth succession of leadership, re-appointment and appointment of Commission’s Members and a budget allocation (though may not be adequate) was also achieved. Of course, a much necessary tribute to the Media and the civil society is due. They have consistently played a very positive role in communicating to the public the importance of a robust competition regime - advocating our utility, while continuing to add to our ‘visibility’.

CCP despite being in its infancy has taken significant enforcement actions. We have busted and fined cartels, which is expected to have a far-reaching impact on the economy. Industries that have been taken on and penalized include banks (Rs.205 million), cement (Rs.6.3 billion), sugar (proposed max penalty), LPG (Rs.318 million), poultry (Rs.50 million), edible oil (Rs.50 million), jute mills (Rs.23 million), dredging (Rs.200 million) etc. We have initiated and taken decisive actions against undertakings in the power sector, shipping industry, stock exchanges, professional bodies like ICAP, state owned entities including PIA and Pakistan Steel Mills and even Media organizations thus establishing in a very short time not only our independence but also our even-handed approach in fair and transparent manner.

We have concluded 27 enquiries, and another 18 are in progress., We have issued 312 Show-Cause notices, carried out 11 searches and passed 46 decisions/orders across various sectors of economy. I must highlight that in our adjudicatory process, there has never been any interference or pressure from any Governmental quarters. Four pillars i.e. the prohibition on the abuse of dominance, cartelization or prohibited agreements, mergers & acquisitions and prohibition on deceptive marketing practices continue to be rigorously enforced by us.

Seeking guidance from the developed regimes I considered it important to draw a road map for CCP. Our priority remains to enforce the law in fair and transparent manner with the aim to provide for a level playing field. However, various aspects owing to their economic impact have been prioritized. These include: (1) public procurement; (2) concession agreements; (3) expanding Office of Fair Trade (OFT) role to curb deceptive marketing; (4) restricting associations to their mandate; and (5) improving the legal framework.

While no law may be perfect, our Competition Act embodies provisions that include: power to grant leniency, conduct search and inspection, forcible entry, deterrent penalties upto Rs.75 million or 10% of the turnover, advocacy with power to issue policy notes, secured term of members and grant of an independent status. As part of the democratic process the law sailed through extensive deliberations. It embodies wisdom of the developed regimes which has evolved over 100 years. “It needs to be appreciated that Competition Law pertains to behavioral aspects. Whether we are in EU, US, UK or Pakistan, individual motivations or incentives vis-à- vis anticompetitive practices inherently remain the same.

Notwithstanding, the legal battles that await us in the courts, with over a 100 cases pending, we have been very conscious of enhancing our enforcement pace. We appreciate that the sooner we will have these pending cases concluded, the better it will be for the undertakings and the consumer and CCP shall emerge as an even more robust administrator of law.

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“ It is also the confidence that I have in my team’s expertise, hard work and our commitment to excellence that I submitted CCP for an independent evaluation by the ‘Global Competition Review’.

We believe that the legal battle is part of the due process and CCP would resolutely respond to these legal challenges. We have received immense appreciation for our work and are confident that our decisions will also withstand judicial scrutiny. I share remarks of Professor John M. Connor who termed our decisions and reports as “exemplars of clarity, logic and restraint”. The effectiveness of our agency can also be judged by other indicators. To mention a few: compliances achieved, e.g. so far, we have processed and granted 310 exemptions and over 260 merger NOCs (Pakistan being a mandatory regime). Number of complaints is on the rise, there has been 100% observance with respect to prohibiting deceptive marketing practices (where a compliance oriented approach has been adopted) and increasingly businesses have been approaching us for advice.

With respect to acceptability, a most interesting instance was when our officers were obstructed (to the extent of being manhandled) while conducting search of two undertakings. It took them 8 to 9 hours to persuade the undertakings to cooperate and complete their task. We must recognize that a competition agency cannot operate in isolation. It must remain cognizant of the social milieu. We are succeeding in making all realize that the role of CCP is not to scare businesses but simply to help them realize the rules of the game from which everyone stands to gain in the long run. It is for this reason that we took a mature approach in this matter as well - which was duly reciprocated. Rather than sensationalizing the matter, we focused on completion of the enquiry while making the undertakings recognize their faults and obtaining assurances of cooperation. We have successfully completed the inquiry.

It is also the confidence that I have in my team’s expertise, hard work and our commitment to excellence that I submitted CCP for an independent evaluation by the ‘Global Competition Review’. GCR is world’s leading antitrust and competition law journal. ‘Rating Enforcement’ is GCR’s annual assessment of selected competition agencies. This year, the 11th edition of Rating Enforcement has been published. Out of over a hundred competition agencies around the world, only 35 were included. GCR has applauded CCP’s inclusion in the rating as a testament to the fact that the commission has established itself as a truly effective enforcer in 2010. I must note that we are the first regulatory authority from South Asia ahead of many of our counterparts with more developed economies in East Asia. In this regard, I would like to share a few observations that are being displayed on the screen:

“CCP is a proof that developmental and political problems need not hamper the creation of a dynamic competition agency in developing countries, as long as they are able to secure autonomy and they are staffed by driven, independent people.” (GCR)

One international observer commented “its reasoning in behavioural and merger cases looks to be “straight down the middle - consistent with what one would expect to see anywhere”.

“A local practitioner agrees: while not always in agreement with them, the source says its officials “know the law,” and are open to discussing cases.”

Another local practitioner says: “the commission has thrown itself into its work, achieving much in a short time - I doubt every decision is perfect, but we are in awe of what they have done with no learning curve time at all.”

“The media has embraced the commission as a driven and effective enforcer in a country where the population feels big business and vested interests often trump ordinary peoples needs.”

It is with a sense of pride I share, that in the recent International Conference on Competition Law in India, the celebrated guru of competition law, William Kavocic, a former Chairman and member of the USA Federal Trade Commission, and recipient of lifetime achievement award recognized among the top two performing competition agencies among those recently established. In fact one of the members of the CCI, Mr. Justice Dhingra, a counterpart in India, had no hesitation in acknowledging the proactive role of CCP and the fact that; CCI has yet to take off.

Similarly, in the recently held Organization of Islamic Countries (OIC) conference, I am informed that our performance was repeatedly acknowledged alongside Turkey and Egypt.

There is also a wide recognition of the need for more, closer and deeper cooperation on international antitrust issues. While Pakistan may not have yet reached that stage, let me assure you that it is not that far. The importance of efficient cooperation will further increase with globalization, and so will the role of competition enforcers.

I take this opportunity to acknowledge the support extended by our counterparts in Turkey and US who have greatly facilitated our capacity building. It is most encouraging that some of the new agencies now approach CCP for technical training and assistance.

Securing financial autonomy is one major challenge we face. Complete autonomy cannot be achieved without financial autonomy. Our law provides for independent funding through tied sources i.e. 3% of fee and charges levied by the 5 other regulatory bodies which form part of the CCP Fund. While we have been assured for support in this regard by the Government, we need a firmer push to secure deposit of the fee. As this has direct impact on our sustainability.

Here I would briefly touch upon a very important theme. Competition agencies, such as ours, are not to be perceived as encroaching upon sector specific regulators. Our law consistent with contemporary best practices across the developed economies aims at empowering the competition agency's role to enhance economic efficiency by acting as a bulwark against anticompetitive behavior in all sectors of economy. We have no turf wars to contest and have broken ice with certain sector-specific regulatory bodies. We now receive and are referred complaints on competition aspects by the sister agencies. The policy notes issues by us are becoming an instrument of change of approach rather than being perceived as encroachment to autonomy.

Perhaps, it is a matter of time not too distant – that all sector specific regulators will fully recognize and submit to the will and wisdom of the legislature and we will all work in tandem to enable Pakistan provide a business environment of choice.

I thank you, all especially our esteemed foreign delegates who represent over 50 countries, thus making this conference truly international. I must also thank our sponsors, CSF and USAID. I hope Pakistan will be able to hold similar conferences in future.

THANK YOU

“CCP is a proof that developmental and political problems need not hamper the creation of a dynamic competition agency in developing countries, as long as they are able to secure autonomy and they are staffed by driven, independent people.” (GCR)

International Conference Gallery







FEEDBACK

Khalid Mirza:
Former Chairman CCP

I would like to take this opportunity to congratulate you on holding a most successful international conference on December 1st and 2nd. This was a tremendous achievement. You and your team can feel justly proud for organizing and executing an event of this nature so smoothly and with such meticulous attention to detail.

Miek Van der Wee:
Head of Unit
International Relations
DG Competition – Unit A5

Many, many thanks for your hospitality over the past days. The conference was without any doubt excellent. I was particularly struck and impressed by the enthusiasm and dynamism of the commissioners and staff of the Competition Commission. Very memorable indeed.

Manuel Sebastiao:
President
Portuguese Competition Authority

It is with great pleasure that I congratulate you, and the Competition Commission of Pakistan, on a very successful international conference on "Competition Enforcement Challenges and Consumer Welfare in Developing Countries," held in Islamabad on 1st and 2nd of December 2011.

It was an honour to have had the opportunity to contribute to the debate and the discussion which was, throughout the conference, of a very high quality.

I would like to thank you, especially, for your warm hospitality, and efficient organization of the Conference.

Dr. Huma Bukhari
President
Consumers Forum

This is to express my feelings of appreciation and liking for the wonderful International Conference organized by the CCP. The conference was very successful and meaningful. The Consumer Forum has studied the recommendations of the conference and have chalked out a program to make use of the same.

Kriengsak Chareonwongsak
Member of Parliament
Thailand

We greatly enjoyed the conference and found it to be very beneficial.

Russell Damtoft
Associate Director
Federal Trade Commission

CCP has achieved in its first four years what the US anti-trust watchdog could not achieve during the first 50 years of its existence.

Hilal Baha Karabudak
Advisor
Turkish Competition Authority

It was an honor and privilege for us to attend the CCP Conference. We were thoroughly impressed by the efficiency and effectiveness it was carried out. Many thanks for this memorable new year gift. We are grateful, so that we will be able to remember in detail the magnificent conference organization and the great hospitality offered to us by our Pakistani colleagues and friends.

Best wishes for a healthy, happy, and successful new year for all our friends and their families in Pakistan.

Mr. Pradeep S. Mehta
Secretary General
Consumer Unity & Trust Society:

CCP and CCI should share their experiences taking into account the possible impact of the regional free trade agreements and cross border transactions on business and trade of both the countries in future.

THE COMPETITION CONSULTATIVE GROUP

The Commission set up Competition Consultative Group (CCG), an informal think tank, in 2008 to solicit feedback and suggestions on competition related issues and policies from public and private sector representatives, legal community, academia, media and the government. Four meetings of CCG were held in the year under review in Islamabad, Lahore and Karachi.

12TH MEETING OF CCG

The 12th meeting of CCG was held in Karachi on 2 November 2011. The Chairperson gave a detailed description of the Commission's activities and said that it was her priority to provide a strong base to the Commission and in this regard the capacity building of the officers was being carried out. Two officers of the Commission have secured Post Graduate Diploma from the King's College, London, in "Economics for Competition Law." Officials from the Turkish Competition Authority have trained officers of the Commission on "Bid Rigging in Public Procurement." Similarly, officers of the Commission were sent to attend various international conferences and training programs on

Competition Law, she informed adding that we are focusing a lot on enhancement of technical expertise.

Besides the chairperson and Members of the Commission, representatives from the business community, the Pakistan Business Council, the American Business Council, the Overseas Investors Chamber of Commerce & Industry, the Consumers Forum, Institute of Chartered Accountants of Pakistan, State Bank of Pakistan, and the Media also attended the meeting.

13TH MEETING OF CCG

The 13th Meeting of CCG was held in Islamabad on 6 February 2012. The Commission's Chairperson, while addressing the meeting said the Commission, in the formulation of a Roadmap (2010-13), has emphasized its focus on certain areas, given their relatively greater impact on the economy. These areas include public procurement, concession agreements, expanding the Office of Fair Trade (OFT)'s role to curb deceptive marketing, restricting associations to their mandate, and improving the legal framework to promote the competition perspective. About the steps to create awareness of the competition law among the undertakings, the Chairperson informed that the Commission has developed a Voluntary Competition Compliance Code to promote voluntary compliance of the law and published a booklet on 'Protection from Anti-Competitive Practices: A Guide for Consumers and Businesses' with the assistance of the Friedrich Naumann Stiftung Foundation in Islamabad.

In the meeting, the Commission's Member of Advocacy & IT Ms. Vadiyya Khalil gave a detailed presentation about the international conference organised by the Commission with the collaboration of Competitiveness Support Fund/USAID on 1-2 December 2011. She said the conference had been very well received both locally and internationally.

The meeting was attended by the Commission's members and the representatives of State Bank of Pakistan, Oil & Gas Regulatory Authority (OGRA), Pakistan Telecommunication Authority (PTA), Engineering Development Board, Intellectual Property Organisation of Pakistan, CEO of Competitiveness Support Fund, Consumer Association of Pakistan, daily Business Recorder, Friedrich-Naumann-Stiftung, Institute of Chartered Accountants of Pakistan, Unilever Pakistan Limited, Indus Motors Company Limited, Pakistan Business Council, Overseas Investors Chamber of Commerce & Industry, ICI Pakistan Ltd.



14TH MEETING OF CCG

The 14th Meeting of Competition Consultative Group was held in Lahore on 30 April 2012. Talking about the 3G auction process and the reports published in some of the newspapers, the Chairperson clarified that it is not in the mandate of the Commission to certify auction processes; however, the Commission is watchful of the provisions that may have competition concern in such matters and briefed the Standing Committee on Information Technology and Telecommunications regarding the key factors that are instrumental to promote new entry and effective competition in the telecom sector.

While discussing the issue of leniency, the Chairperson said that there are two types of tools that are used to break cartels, first is search and inspection and the other one is to offer leniency to any of the players. She explained that it is in the law that only one company in a cartel can avail the clause of leniency. The Commission investigated and prepared a comprehensive report on a cartel formed by electrical power equipment manufacturers and issued a show cause notice to the companies involved. Siemens Pakistan was the first one to file for leniency, not only admitting contravention, but providing critical evidence of the alleged cartel, conduct accomplices and committing to abandon such behaviour in future.

The Commission's Member-Mergers, Acquisitions and International Affairs, Dr. Joseph Wilson gave a detailed presentation on "State Owned Companies and Challenges to Competition Agencies" and Mr. Shahzad Ansar- Member, Office of Fair Trading and Budgetary Affairs gave a presentation on "Deceptive Marketing practices by Certain Educational Institutions" for Professional (non- accredited) Programs.

The meeting was attended by the members of the Commission and representatives of State Bank of Pakistan, Pakistan Electronic Media Regulatory Authority (PEMRA), Intellectual Property Organisation of Pakistan (IPO), Consumer Association of Pakistan, Consumer Forum, The News, Institute of Chartered Accountants of Pakistan (ICAP), Nestle Pakistan Limited, Indus Motors Company Limited, Engro Polymer & Chemicals Limited, Overseas Investors Chamber of Commerce & Industry (OICCI), ICI Pakistan Ltd, Federation of Pakistan Chamber of Commerce & Industry (FPCCI), Forman Christian College, GlaxoSmithKlyne, Sidat Hyder Murshed Associates, and other participants from the legal community.

15TH MEETING OF CCG

The 15th Meeting of CCG was held in Karachi on 26 June 2012. The meeting was informed about the enforcement actions taken by the Commission, the two recent inquiries, including the inquiry in the matter of unreasonable increase in the price of urea fertilizer and another one against PTCL for prima facie abusing its dominant position in the market for provision of DSL services through margin squeeze.

Chairperson of the Commission said that the Commission maintained the pace of enforcement despite several challenges, particularly given the financial constraints

faced by the Commission. The meeting was attended by representatives of State Bank of Pakistan, National Electric Power Regulatory Authority, Engineering Development Board, Civil Aviation Authority, Consumer Association of Pakistan, Friedrich-Naumann-Stiftung, Institute of Chartered Accountants of Pakistan, Linde Pakistan Limited, Indus Motors Company Limited, Pakistan Business Council, Overseas Investors Chamber of Commerce & Industry, Federation of Pakistan Chambers of Commerce and Industry, GlaxoSmithKline, Pfizer Pakistan Limited, Lotte Pakistan Limited and ICI Pakistan.

SEMINAR ON WORLD CONSUMER RIGHTS DAY (15 MARCH, 2012)

The Chairperson of the Commission, Ms. Rahat Kaunain Hassan, was invited to speak at a seminar to commemorate the World Consumer Day 2012, jointly organised by the Standing Committee of Federation of Pakistan Chambers of Commerce and Industry (FPCCI) Consumer Rights Council (CRC) and the Consumer Welfare Forum in the Auditorium of the Federation House Karachi on 15 March 2012.

The Chairperson, accompanied by Member Advocacy, attended the seminar as Chief Guest. While addressing on the occasion, she highlighted the actions being taken by the Commission to promote competition in the economy and safeguard the interest of consumers by curbing deceptive marketing practices.

The participants of the seminar appreciated the role of the Commission for protecting consumer rights.

ADVOCACY THROUGH MEDIA

JANG FORUM (16 MARCH, 2012)

The Jang Group of Newspapers holds its "Jang Forum" regularly in which heads of institutions and other important personalities holding public portfolios are invited. The discussion is then reported in dailies Jang and the News.

Jang Forum invited the Chairperson Ms. Rahat Kaunain Hassan on 16 March 2012 to give the Commission's viewpoint on price hike and other problems faced by consumers. The Chairperson

in her remarks clarified that the Commission was not a price regulator and that fixing of prices was against the competitive norms. However, she said competition results in better products and prices and the Commission was vigilant to curb any uncompetitive practices in the business and industry. She said that the Commission has taken a number of actions against cartels in the key sectors of economy.



PRESS CONFERENCE ON LENIENCY (3 APRIL, 2012)

The Commission granted a landmark decision in its first ever leniency case on 3 April 2012. Given the importance of the case, a press conference was held the same day to apprise the media of the case and the circumstances leading to the leniency.

The press conference was well attended by journalists from print and electronic media. The Chairperson announced that leniency had been granted to Siemens (Pakistan) Engineering Company Limited, to break cartels in switchgear and transformer markets. The Chairperson on this occasion highlighted the importance of the leniency provision as part of the Pakistan's competition law.

TV INTERVIEWS

The Chairperson from time to time appears in TV business shows to inform the public about its enforcement and advocacy actions. In this financial year, the Chairperson appeared in the following TV talk shows:

- i. Interview in Aaj Tv Program "*Aaj Markets*" on October 31, 2011
- ii. Interview in Geo Tv program "*Aik Say Do*" on November 16, 2011
- iii. Interview in Business Plus Program "*Business Lunch*" on 2011
- iv. Interview in Business Plus Program "*Live Wire Insight*" January 24, 2012
- v. Interview in Geo Tv Program "*Aik Say Do*" January 25, 2012
- vi. Interview in Aaj Tv Program "*Aaj Markets*" May 25, 2012
- vii. Interview in Business Plus Program "*Live Wire Business Lunch*" May 31, 2012

PRINT INTERVIEWS

The Chairperson was interviewed by two leading daily newspapers of Pakistan i.e. "The News" and "Business Recorder".

- i. 23 December 2011 issue of Daily Business Recorder
- ii. 7 April 2012 issue of The News

PRESS RELEASES

The Commission regularly issues press releases to the media to highlight its enforcement actions and other important developments. Thirty five press releases were issued during the year under review. The press releases are available on the Commission's website.

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CHAPTER 9: DEALING WITH INTERNATIONAL AFFAIRS

The Office of International Affairs was established in January 2010 in the prescient realisation that growing number of competition regimes – around 130 in 2012 -- coupled with globalization and trade liberalization requires enforcement of Competition Law at a global level that requires significant communication among competition agencies.

Much of the OIA's international communication takes place in a variety of multilateral settings in which competition agencies meet, in person or virtually, to share ideas, co-operate on a variety of project-based activities, and build a shared understanding on competition law, its practice and enforcement. These multilateral settings come either under the aegis of the International Competition Network (ICN), the Organisation for Economic Co-operation and Development (OECD), or the United Nations Conference on Trade and Development (UNCTAD).

A summary of the OIA's various activities is given herewith.



THE INTERNATIONAL COMPETITION NETWORK

The international Competition Network (ICN) was established in 2001 with a view to promote cooperation among competition agencies. The work of ICN has been instrumental in promoting and strengthening communication among competition agencies; harmonization of competition laws and cooperation among competition agencies.

ICN works in working groups, such as cartel working group, merger working group, agency effectiveness working group and advocacy working group. The OIA contributes to the workings of these working groups, in particular Merger Group and Agency Effectiveness Working Group. ICN held its 11th Annual Conference in Rio de Janeiro, Brazil, from April 17-20, 2012. Member (international Affairs) spoke at the panels on “Hot Topics in Merger Analysis” and “ICN Curriculum Project” at the 11th ICN Annual Conference, as well as the Pre-ICN Forum on Competition and Development on the topic of “State-owned Companies and the Challenges to Competition Agencies”.

“ The work of the ICN has been instrumental in promoting and strengthening communication among competition agencies during this period and is now orienting itself to address the challenges of the present decade.

THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD)

UNCTAD is engaged in technical cooperation with countries seeking capacity-building and technical assistance in formulating and/or effectively enforcing their competition law. As part of this initiative, UNCTAD hosts the Intergovernmental Group of Experts on Competition Law and Policy for consultations on competition issues of common concern to member States and informal exchange of experiences and best practices, including a Voluntary Peer Review of Competition Law and Policy.

In preparation for the Meeting of Intergovernmental Experts on Competition Law and Policy on 19-21 July 2011, the OIA responded to the questionnaire circulated by UNCTAD. In the roundtable on *“The importance of coherence between competition policy and government policies,”* Dr. Joseph Wilson, Member, gave a presentation on *“The reasons why incoherence between Competition and other Government Policies is Explainable?”*

“ UNCTAD is engaged in technical cooperation with countries seeking capacity-building and technical assistance in formulating and/or effectively enforcing their competition law.

THE ORGANISATION FOR ECONOMIC CO- OPERATION AND DEVELOPMENT (OECD)

The OIA continued to respond to the OECD’s request for contributions on various topics that are presented at the Global Competition Forum, the OECD’s annual flagship event.

The 11th Global Forum on Competition took place on 16-17 February 2012 and the Commission was represented by Ms. Rahat Kaunain Hassan, Chairperson, and Dr. Joseph Wilson, Member. Dr. Wilson chaired a break-out session on *“Competition Authorities’ experience with Law enforcement and Advocacy”*. The Commission contributed a written submission on the topic of Commodities and Price Volatility.

Members and Officers of the Commission attended various capacity building events organised by the OECD’s Korea Centre. The sessions were on Competition Assessment and Competition Advocacy in July 2011; (ii) Legitimate Business Practices or Cartels in Disguise in October 2011; (iii) Abuse of Dominance Fundamentals in December 2011; (iv) Rewarding Co-operation in Cartel Investigations in April 2012; (v) Merger Analysis and the the Implementation of Remedies in May 2012; and (vi) Vertical Restraints in June 2012.



OTHER ACTIVITIES

part from the numerous activities of the ICN, OECD, and UNCTAD, the OIA is also responsible for exploring bilateral relations with competition agencies as well as with donor agencies for possible technical assistance.

The OIA took the initiative for the establishment of a SAARC Competition Regulators Forum and prepared a concept note on this for the SAARC secretariat based in Islamabad. Given that the seven countries comprising SAARC are at various stages of competition law enforcement, Bangladesh only having promulgated its law in June 2012, this is long-term advocacy effort by the OIA with the SAARC countries.

Resource mobilisation for the capacity development of the Commission is an ongoing effort of the OIA and a number of proposals for the consideration of the EU, DFID, World Bank, and the Government of Korea were prepared during this period.

The OIA played a key role in identifying a diverse group of international participants for the conference, ensuring representation of key regions and agencies, that included the EU's DG Comp and the U.S. FTC.

The OIA partnership with the Fredrich Naumann Stiftung resulted in three Members and five officers of the Commission as well as the Chair of the Competition Appellate Tribunal's visit to Germany for a detailed briefing on competition law and its enforcement from the perspective of the various regulators including those dealing with network industries, key stakeholders from the legal fraternity, and the German parliament.

“ The OIA took the initiative for the establishment of a SAARC Competition Regulators Forum and prepared a concept note on this for the SAARC secretariat based in Islamabad.

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CHAPTER 10: UNDERTAKING RESEARCH

The Competition Act requires the Commission to conduct research and review policies in order to identify and act against anti-competitive practices. To fulfil this requirement, the Commission conducts detailed sectoral competition assessments. Thus, research into and analysis of markets has remained an important component of the Commission's approach to promote competition in Pakistan along with active law enforcement, consultations and advocacy. The Commission also issues policy notes to sensitize the government and regulatory bodies on competition issues, and suggests pro-competition measures.

The Commission has an Information Resource Centre (IRC) that facilitates the Commission's employees by providing them with quality and convenient access to information resources on law and economics.

MAJOR ACHIEVEMENTS

The Commission developed a strong research and market studies program to identify anti-competitive factors/ actions, and proposed remedies. Markets were examined proactively to identify competition vulnerabilities, and recommendations were developed to improve competition using appropriate channels of the Commission, such as referring markets to other departments of the Commission for investigation or advocacy. In the context of foregoing, a review of work done is presented in the paragraphs to follow.

COMPETITION ASSESSMENTS

The Commission conducts comprehensive competition assessments that cover the following essential aspects:

1. *The evolution, market shares* and overall industry profile with reference to the product markets, historical supply and demand, production capacity, capacity utilization, quality grades, key players and degree of competition.
2. *Value chain analysis* covering an overview of different components and processes involved in production.
3. *Pricing behavior that* involves analysis of historical local and international prices and their degree of correlation, factors affecting prices and the pricing power vested with the dominant players and possibility of cartelization.
4. *Regulatory framework such as* duty protection/structure and government policies affecting the sector.
5. *Cost of production, efficiency, degree of* competition, entry barriers, opportunities available to smaller players/new entrants, and current and potential competition vulnerabilities in the sector.

During 2011/12, the competition assessments finalized and placed on the Commission's website include aviation industry, cooking oil and ghee, and polyester staple fibers. These

assessments helped the Commission gauge competition vulnerabilities in these important sectors of the economy.

The Commission largely finalized the competition impact assessment report of the automobile industry, analysing the strength of competition in the passenger car market and identifying factors impeding competition.

The Commission undertook an assessment of the textile industry, focusing on the first part of a larger report that analyzed the competitive dynamics and policies in the country that affect the textile industry of Pakistan. The report includes a review of the sector, general macroeconomic problems faced by the textile industry, changing global trade environment, relocation of textile industry from Pakistan and impact of natural disasters and recommendations to the government as well as the industry for bringing the industry out of crisis. A study was also initiated on mapping and eliminating subsidies from the electricity sector and State Owned Enterprises like PIA, Pakistan Railways and Pakistan Steel Mills.

POLICY NOTES

The Policy Notes consist of reasoned non-binding advice, aiming to mould policies in a pro-competition form, addressed mainly to government and other institutions. During the period under review, the Commission issued the following policy notes to the Government:

POLICY NOTE ISSUED TO SECP

The Commission on 5 September 2011 issued a Policy Note to assist the Securities and Exchange Commission of Pakistan (SECP) in ensuring that the new framework dispenses with the requirement of placing cost audit reports on companies' websites or making them otherwise available as public information.

CCP took notice of a press release posted on the website of SECP and published in national press in which it was mentioned that the SECP has withdrawn the Companies Cost Accounting Records (General Order), 2008 and is actively involved in consultation to develop industry-specific guidelines/reporting format. Through its Policy Note, CCP has provided its input into the new cost orders of the SECP that may have implications for competition in the industries concerned.

The Companies Cost Accounting Records (General Order), 2008 was applicable from the financial year commencing on or after October 1, 2008, to companies engaged in production, processing, manufacturing or mining activities, in the fertilizer, thermal energy, petroleum refining, natural gas, and polyester fiber industries. Companies engaged in cement, vegetable ghee and sugar industries were also required to comply with the above-mentioned General Order. SECP had earlier issued a special order for these sectors.

The General Order required companies to maintain cost accounting records, have a cost audit, and circulate and distribute the cost auditor's reports. Later on, the SECP deferred the applicability of the General Order vide its SRO 371(I)/2011, dated May 9, 2011, for companies engaged in fertilizer, thermal energy, petroleum refining, natural gas, and polyester fibre industries till July 1, 2011. However, according to the General Order, this deferment did not affect special cost orders issued by the SECP for cement, vegetable ghee and sugar industries.

CCP observes that the maintenance of cost accounting records and cost audits may contribute towards enhancing competitiveness of the sectors. However, in Pakistan, where the concept and practice of enterprise governance is developing, enterprises may not be inclined to self-regulate and conduct cost audits. This is despite the fact that they may benefit, for instance, by using results to improve their competitiveness through various measures. In any case, it is understandable that the SECP would want to foster self-disciplinary mechanisms by instituting a cost accounting system that collects and collates cost data.

CCP views cost audits as instruments that promote efficiency as they may identify processes and activities where improvements can be made to enhance productivity and reduce/eliminate wastage of resources. In this sense, cost accounting reports are a part of the corporate support system that is for internal use, providing cost information to the management for decision making and control. Generally, companies are not inclined to share detailed cost data, except with management and regulators; its availability to other market players may harm their competitive advantage.

“ In case this order was implemented, this particular requirement would have resulted in making commercially sensitive information available in the public domain. This may affect the independence with which companies make their production and pricing decisions, thus, negatively affecting competition.

The General Order required companies to circulate the cost auditor’s report amongst shareholders and/or to publish the report on their websites. In case this order was implemented, this particular requirement would have resulted in making commercially sensitive information available in the public domain. This may affect the independence with which companies make their production and pricing decisions, thus, negatively affecting competition. Therefore, CCP considers that commercially sensitive cost information should be kept confidential. This spirit is embodied in the Cost Audit Rules in Pakistan, which confine the disclosure of the cost auditor’s report to the SECP and the directors of the company.

CCP was of the view that sharing detailed cost data may be problematic in a competitive business environment. The data, once shared, becomes public information, and information exchange on cost may provide patronage and facilitate companies in their coordination and monitoring of anti-competitive practices, be it dividing the markets allocating quotas, or fixing prices and hence may facilitate collusion amongst independent economic agents. Such practices are universally recognized as having detrimental effects on competition, eradicating or seriously reducing the benefits that competitive markets deliver for consumers. When asymmetric costs are treated as private information, this hinders cartel activity. Sharing these costs may facilitate collusion. It may create a public record on which collusive schemes may be based. Hence, publicizing detailed cost data, as prescribed earlier by SECP, is harmful for competition and would be in violation of Section 4 of the Competition Act, 2010.

POLICY NOTE ISSUED
TO PUNJAB GOVERN-
MENT ON COMPLETE
BAN ON ESTABLISHING
A SUGAR MILLS

The Commission on 11 June 2012 issued a policy note the Government of Punjab for the ban on establishment of new sugar mills and expansion of existing ones, in force since December 2006, and asked the Provincial Government to lift the ban to allow a fair competition in the sector.

The Commission while dealing with the Complaint filed by Mr. Sheikh Abdul Razzaq, took notice of the ban imposed by the provincial government.

In a policy note, it was observed that under the Competition Act, 2010 (Act) it is CCP’s mandate to promote competition norms through advocacy and persuading economic agents including government agencies/ regulators to act in accordance with the Act. The policy note sent to the Chief Secretary Punjab and Secretary of Industries of Punjab said that in a free market an entrepreneur must be allowed to decide whether the opportunity to set up any business enterprise, including a sugar mill, was worth availing.

The CCP noted that legal, statutory and regulatory barriers to entry were usually the result of lobbying by existing players. It said that in economics and especially in the theory of competition, barriers to entry are obstacles to the path of an undertaking which wants to enter a given market.

It may be any factor that makes it difficult for a new undertaking to enter a market. The term refers to hindrances that an undertaking may face while trying to gain entrance into a profession or a trade,” the commission said while defining the term ‘barrier’.

“ It has been observed by the CCP that the more robust competition policies are, the better the enforcement of law and higher the chances of enhancing economic efficiency. The consumers stand to gain the most from greater competition.

It said the object of erecting barriers to entry was to exclude new entrants to a market or sector of industry. These prospective entrants might bring with them efficiencies that could reduce costs related to production (by introducing novel technology or through better research and development) which in turn would enhance competition by forcing existing players to stay competitive. This threat can be neutralized by erecting barriers to entry for new players.

It said that if existing players had managed to exploit some of the economies of scale that were available to undertakings in a particular industry, they would have developed a cost advantage over potential entrants. They may use this advantage to cut prices if and when new players enter the market. Although they will be moving away from short-run profit maximization objectives, they will, however, inflict losses on new undertakings and thus protect their own market position in the long run. Once a potential entrant is successfully barred from a market, existing players are free to revert to their prior anti-competitive conduct.

The policy note said that capacity expansion restraint in the industrial sector might indirectly support the anti-competitive practices such as production curtailment and quota allocation and eventually manipulation of prices by the incumbent undertakings. However, incentives of capacity expansion would help achieve economies of scales and scope which could result in better prices and quality for consumers.

It has been observed by the CCP that the more robust competition policies are, the better the enforcement of law and higher the chances of enhancing economic efficiency. The consumers stand to gain the most from greater competition. Competitive markets encourage more trade, lower prices; provide greater choice and more employment. Competitive markets encourage more trade and lower prices. (They) provide greater choice and more employment. Let market forces of demand and supply prevail which will ensure competition. This will encourage manufacturers and service providers to be more efficient, to better respond to the needs of consumers, to innovate, to initiate and to venture, and consumers will benefit from better prices, quality goods and more choices.



POLICY NOTE ISSUED
TO FEDERAL GOVERN-
MENT, PROVINCIAL
GOVERNMENTS, AND
ICT ON PRICE DETERMI-
NATION OF FRESH MILK



The Commission on 16 April 2012 issued a Policy Note to the federal government, all provincial governments, and the administration of the Islamabad Capital Territory (ICT), recommending that the present practice of price determination of fresh milk be reformed to address competition concerns.

The Commission took cognizance of various news items reporting that the local authorities set the price of fresh milk after consulting dairy farmers' associations. The CCP gathered relevant information, and found that the officers involved in the price control work, survey markets to ascertain milk prices. Afterwards, negotiations between members of the Price Control Committee/ government's price control staff and the respective stakeholders including associations take place and a price is agreed upon.

The Commission further recommends that the price of fresh milk must be based on careful and independent analysis undertaken by respective government officers working as the members of the Price Review Committee.

In the prevailing practice, two issues are involved: firstly, consultation among members with their respective association to reach a common agreed price, and secondly, designating their association to negotiate with Price Control Committees to approve/consider their bench mark price – in fact by doing so the association becomes a forum for price-fixing. This practice is against Section 4 of the Competition Act, 2010. The Commission is of the view that entering into negotiation/ agreement/arrangement to reach an accord to reconcile prices of their produce is beyond the role of an association and this may have negative repercussions for competition. The associations cannot negotiate selling price with Price Control Committees on behalf of its members/suppliers/ sellers that are otherwise required to compete with each other.

By engaging in negotiations with milk sellers' associations & milk retailers' association, the government itself becomes a party to a prohibited practice. Also, such agreements under the auspices of the Government promote practices that are a violation of the Competition Act, 2010. Therefore, the Commission believes that the Government at any level must not provide any patronage to anticompetitive practices that may encourage collusive behaviour.

The Policy Note recommends that any members of associations, associations themselves or any stakeholders from the marketplace must not be invited to and must not participate in any formal or informal meeting in which the price of fresh milk is decided. The Commission further recommends that the price of fresh milk must be based on careful and independent analysis undertaken by respective government officers working as the members of the Price Review Committee.

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CHAPTER 11: FUTURE GOALS AND PRIORITIES

We take great pride in our reputation for tirelessly pursuing the objectives in the highest ethical and professional manner.

Competition Commission of Pakistan has been working towards effective competition enforcement by being proactive in its approach and taking decisions according to the circumstances and importance of an activity. That the Commission was nominated for the enforcement award in the category “Agency of the Year – Asia Pacific, Middle East and Africa” for GCR 2012 Awards is reflective of its development.

Towards the vision of creating a level playing field, the Commission strives to continuously grow in all areas of competition regulation including research, advocacy, consultation etc. Following are some of the top priorities in different areas of competition regulation.

COMPETITION POLICY & RESEARCH

Key industries have been identified for detailed assessment in 2012/13. CCP will collaborate with market stakeholders and academia in order to highlight competition vulnerabilities in a variety of industries. Such partnerships will help CCP to widen the scope of its research and give practical and comprehensive competition solutions to create an efficient market in Pakistan. During the year, the Department intends to conduct five research studies on various sectors of the economy. The Department expects to work on four to six policy notes to introduce pro-competition policies and procedures.

To make the Department's work- products more useful and relevant to other Departments of the CCP, this year the CPRD hopes to initiate a project to develop an econometric model for cartel detection. The model may then be applied to various sectors of the economy to determine the probability of cartels.

MERGERS & ACQUISITIONS AND INTERNATIONAL AFFAIRS

The priorities/goals to be achieved in future include:

- *To educate the* business community and the public of the importance of the Competition (Merger Control) Regulations, 2007 so that the increase in awareness of notifying the Commission of mergers and acquisitions that meet the thresholds will improve compliance with the merger provision of the Competition Act, 2010.
- *To introduce a* shorter form of the pre-merger application form for mergers/acquisitions/Joint ventures with a view to facilitate the applicant undertakings and for fast processing of the transactions that pose no competition concern but meet the notification thresholds

OFFICE OF INTERNATIONAL AFFAIRS

The OIA is actively working with the International Competition Network (ICN), the Organization for Economic Co-operation and Development (OECD), and United Nations Conference on Trade and Development (UNCTAD), which has resulted in increased international collaboration, co-operation, and contact between authorities to share experiences and to develop and exchange best practices.

Activities for the year 2013 are as follows:

1. *Organization of international conference.*
2. *Arranging for participation of the Commission's staff in workshops organized by ICN and OECD.*
3. *Increase collaboration with ICN, OECD and UNCTAD.*
4. *Active participation in Merger Working Group of ICN.*

OFFICE OF FAIR TRADE

- *The drafting of Deceptive Marketing Guidelines* relating to major sectors for example Telecom, Bank, Fast Moving Consumer Goods and Airlines in consultation with stake holders- consumer protection groups, multinationals; advertising agencies; and the sector specific regulators. A first draft with respect to the telecom industry has been prepared by the legal department based on a review of international jurisdictions.
- *Consumer Protection Advocacy and Enforcement- Holding Sessions* to create awareness amongst consumer protection groups and the general public. As part of enforcement the OFT deems it necessary to educate businesses regarding the scope and applicability of Section 10 and encouraging business compliance. The OFT will continue to organize awareness campaigns for consumers, businesses and the academia.

- *Handling of Complaints*- the OFT department has been and will continue to handle complaints under Section 10 on a daily basis. The department has recently taken charge of the complaint cell and is developing comprehensive Standard Operating Procedures (SOPs) for the effective handling of complaints. These involve determination of the complaint as actionable followed by determination of a potential violation given certain time constraints to increase the efficiency of complaint handling. These will be further developed to meet the increasing frequency with which complaints are received.
- *Impact Assessment*- The department will focus on gaining a better understanding of the impact in empirical/monetary terms of our decisions on consumers and the economy as a whole. This will be achieved through using certain indicators such as the estimation of financial loss to the economy due to anticompetitive conduct or the estimation of consumer savings/ benefit from a particular decision.
- *Working closely with Policy Makers/Sector Specific Regulators*- particularly where there is an overlap of interests or jurisdiction in matters relating to or directly affecting consumer welfare. Initiating policy notes where need be and raising awareness and advising policy makers regarding competition and consumer protection issues.
- *Expansion of the Department*- The OFT is currently a small department comprising of a few dedicated officers and with the increasing demand of work expansion along with capacity building measures is necessary to ensure work is handled in a timely efficient manner.

CARTELS AND TRADE

ABUSES

Cartels & Trade Abuses department has identified the following priority areas to focus on during the year 2013/14

- *As per the Commission's roadmap*, the department's focus will remain on bid-rigging in public procurement and concessionary agreements due to their significant economic impact.
- *The department will start preliminary targeted research* in sectors that are prone to cartelization to identify and investigate the potential cartel cases
- *Capacity building remains* a major priority for the department, especially in the area of cartel investigation and grant of leniency.
- *As a result of increasing awareness about Competition Act, 2010*, the number of complaints submitted to Competition Commission of Pakistan regarding anti-competitive practices has increased. We are working on streamlining the processing of these complaints in order to ensure all competition concerns are addressed promptly.
- *The investigation cycle* will be modified to ensure efficient disposal of all cases and to minimize the average investigation time.

INFORMATION

TECHNOLOGY

IT department is working on an IT Strategic Plan that will cover the future of IT department's activities and lists all the merits of development/procurement of such systems. Some of the projects planned for next fiscal year are outlined as mentioned below:

DEVELOPMENT OF NEW CCP WEBSITE (New Look, New Feel, More secure)

The IT team is working on revamping of website. The revamping process will enhance visual presentation as well as content placement and navigation. More over to enhance security, current system will be updated to most recent upgrade available. A beta version of the upgraded website is released and tested on local servers.

DEVELOPMENT OF CCP'S PORTAL(Interactive and Go Green)

Web team is working on beta version of the implementations and a working solution to manual admin processes will be replaced with intranet information systems. This includes online filling of admin forms and automated email generation tools. Additionally a chat system is also implemented for intra office communication and separate user profiles will be maintained for all employees. Picture gallery of the events is also added in the new portal.

MERGER APPLICATION MANAGEMENT SYSTEM (MAMS)

The MAMS will manage online filing and management of merger and acquisition applications. It will automate the application filing process and facilities the applicant as well as Merger & Acquisition department for effective processing and analysis of application.

HELP DESK SOFTWARE SYSTEM

In order to properly monitor and handle each and every support request a monitoring system should be intact which will not only keep a record of all support queries but should also keep track of the status of the support requests. Help Desk Software will automate service desk requests and complain management.

- *Automatic logging of all service requests and corrective actions until final remedy.*
- *Customizable help desk interface allows sorting of service requests by type, preferences and severity.*
- *Option for multiple system administrators, each of whom can view his/her own service requests, or even other users' requests, if nominated as a supervisor.*
- *Reports can be generated for evaluation of support team performance as well as to monitor any pending or unaddressed support query.*

Some other projects intended to be undertaken include:

- *IT inventory upgrade*
- *Capacity Building and Training Needs*
- *Establishment of (State of the Art) Datacenter and IT Infrastructure*
- *System/Network Management and Vulnerability Assessment Tools*

CORPORATE AFFAIRS DEPARTMENT

The following are the goals set by the Corporate Affairs Department at Competition Commission of Pakistan for the year 2012-13:

- *Become more internally robust, cost efficient and facilitative.*
- *Develop SOPs, regulations for increased rationalization.*
- *Increase automation and modernisation.*
- *Coordinate appropriate hirings and maintain a satisfied workforce.*
- *Capacity building through trainings and resource enhancement.*

ADVOCACY

The main objective of the Competition Act, 2012 is to safeguard and promote effective economic competition. Well-functioning markets have traditionally been safeguarded by means of competition control. However, an increasingly important part of the work of CCP is competition advocacy, which encompasses all the measures of the Commission that seek to secure effective competition in markets but which are not based on the application of actual competition legislation.

The Commission will focus on the following key activities given under the broader set of objectives:

1. Relations with media. The print and electronic media play an important role in informing, educating, and communicating information. Their "reach" will be helpful to the Commission in creating awareness about its work and activities, but this will not happen automatically. The Commission will provide necessary support in the implementation of this strategy via the media. It will be responsible for developing strategic (and co-operative) partnerships with key people in both the print and electronic media, both domestic and international, to ensure that the Commission's perspective is presented fairly and accurately. The Commission will also initiate and implement journalist training programmes to assist in disseminating competition-related training to the media to help them report on competition issues with clarity and understanding.

2. The Non-Governmental Sector. The Commission will focus on strengthening ties with the non-governmental sector, which includes consumer associations and academic institutions. Consumer education should become a focus of competition advocacy for the Commission, especially in terms of the Section 10 (Deceptive Marketing) of the Act. The Commission will

identify key consumer-oriented associations and academic institutions, and develop and promote informational material, guides, and instructional pamphlets to help inform the general public about deceptive marketing.

The Commission will spearhead efforts to develop strategic partnerships with some consumer associations and organisations as this may be helpful in providing information about possible investigations, sectoral and/or product specific initiatives, or may even assist the Commission in direct advocacy with politicians and citizens.

The Commission's collaboration with academic institutions will focus on (i) assistance in doing research in various sectors of the economy as well as the nexus between economics and competition in Pakistan and (ii) capacity building initiatives, both for students as well as business executives. Activities related to capacity building and awareness creation of business executives will be initiated by the Commission to focus its advocacy efforts on businesses to increase the awareness of a culture of internal compliance with competition laws under the aegis of the Voluntary Competition Compliance Code (VCCC).

3. Collaborative work with policy-makers. The Commission's relations with other government institutions are important. The Commission's strategy vis-à-vis policy makers will be to ensure that the Commission's advice extolling the competition perspective on various issues is effectively communicated.

4. Publications. The Commission will continue to oversee the preparation and dissemination of various publications – newsletters, brochures, FAQs, annual reports, etc.

5. Public events. The Commission will continue to undertake public events such as the Competition Consultative Group meetings and where funding can be successfully solicited, events such as international conferences on competition issues from the emerging economy perspective.

LEGAL

Along with the Legal Department's on going work, the department intends on focusing on certain areas that will aid the Commission as a whole and each of the individual departments. The areas of priority for the financial year 2012/13 are:

- *As the Competition Appellate Tribunal* has been established and will become functional shortly, the Legal Department will focus on preparing for the hearings to be held in respect of appeals filed before the Tribunal. This may include the drafting and filing of concise statements, analysis of case law relied upon by the parties, submission of documents in support of arguments, etc.
- *The Legal Department* aims at finalizing and issuing a booklet of standardized documents to be issued pursuant to the Act, Rules and Regulations for the internal use of the Commission.
- *It is considered* beneficial to have Standard Operating Procedures (SOP's) to deal with situations provided in the Act, the Rules and Regulations. Therefore, the Legal Department proposes to undertake the task of preparing the comprehensive book for use within the Commission prescribing the procedures and conditions which need to be followed in routine matters.
- *The Legal Department* also intends on analyzing the existing Rules and Regulations, proposing any suitable amendments in line with best international practices that will help in the effective application of the law.
- *In case of* orders issued by the Commission against which an appeal has not been filed, the Legal Department will ensure compliance by parties with such orders. It will also furnish comprehensive compliance reports to the Commission from time to time.
- *The Legal Department* also intends on focusing on expanding the research resources of the Commission. This may take the form of preparation and maintenance of memos on emerging competition law issues and other legal matters. Another way is by suggesting addition of new books and online resources that may be added to the library of the Commission.
- *One particular initiative* taken by the department is to prepare FAQ's on all orders issued so far and to place them on website for public dissemination to create awareness.
- *Pursuing vigorously and* diligently disposal of pending cases in the courts is recognized by the legal department as critical factor for ensuring agency effectiveness.

