

کمپیٹیشن کمیشن آف پاکستان
برابری، سب کے لیے

Competition Commission of Pakistan
Creating a level playing field

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 anti-competitive behaviour.





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Chairperson's Message

RAHAT KAUNAIN HASSAN



I am honoured to present the Annual Report 2021, marking the beginning of my second term as Chairperson. Having previously served in this role from 2010 to 2013, I was privileged to rejoin the Commission in July 2020 and resume the journey from where I had left off.

The Commission's unwavering commitment has always been to enforce the law with utmost determination. Upon my return, it was imperative to bridge the nearly six-year gap since my departure and to reinvigorate our enforcement efforts. The Commission swiftly embarked on a renewed mission to uphold the law, focusing particularly on key sectors where collusive practices and anti-competitive activities threatened consumers and undermined the principles of fair competition.

This Annual Report provides a concise summary of the Commission's performance over the year. The Commission remains resolutely dedicated to promoting free and fair competition across all sectors of the economy while fostering an environment of equal opportunity. This commitment is demonstrated through robust enforcement actions, proactive policy initiatives, and comprehensive advocacy and outreach efforts. In enforcing the law, we have sought to address evolving market dynamics and create effective deterrence.

During the year under review, the Commission completed 20 enquiries and initiated 21 new ones. It conducted 12 searches and inspections, issued 120 show-cause notices, concluded hearings of 82 sugar mills in the sugar cartelisation case, and passed five orders. Additionally, the Commission issued two Policy Notes to the Government in the sugar and wheat sectors, reviewed 60 mergers and acquisitions, and processed 40 exemption applications.

Soon after assuming charge in July 2020, I decided to revive the Competition Consultative Group (CCG), an informal think tank established by the Commission in 2008 to engage stakeholders on competition-related matters. The forum had become inactive after 2013. To date, two CCG meetings have been held, and the initiative has been widely appreciated by relevant stakeholders.

I firmly believe that meaningful progress requires clarity of long-term objectives. Without such clarity, it is neither possible to develop a coherent roadmap nor to effectively implement policies that lead to desired outcomes. It is noteworthy that, for the first time in the history of competition law in Pakistan, the Commission formulated a comprehensive Strategic Vision. While enforcement and policy intervention remain top priorities, the Vision outlines additional key focus areas for the coming years.

These include addressing anti-competitive distortions in essential commodities; promoting fair competition and reducing collusive practices in public procurement; regulating exclusivity in concession agreements; safeguarding consumers in digital markets and e-commerce; enhancing the economic efficiency of SMEs and SOEs; strengthening collaborations and partnerships through clear guidelines; improving compliance by reinforcing the Leniency Framework; and advancing knowledge-based advocacy.

In line with the Strategic Vision, the Commission has initiated the recruitment of sectoral specialists across approximately 12 key sectors, including automobile, cement, energy (electric power and renewable energy), ghee and cooking oil, sugar, wheat, banking, pharmaceuticals, poultry, education, road construction, and steel.

Furthermore, the Commission has taken the initiative to develop and issue e-commerce policy guidelines aimed at building consumer confidence in the digital marketplace, encouraging fair trade practices, and preventing abuse and deceptive marketing practices in the e-commerce domain.

The Commission's Strategic Vision is evolving into a living document, driven by the dedication and dynamism of its workforce. I am confident that the team will continue to recalibrate its targets in alignment with emerging national and global imperatives.

The Commission

CHAPTER 1



Ms. Hassan has assumed charge as Chairperson of the Commission on July 14, 2020.

Ms. Hassan has over 25 years of experience with over 8 years in public service. She has earlier served as one of the founding members (2007-2010) and also as Chairperson of the Commission (2010-2013).

She studied Law at King's College London and was awarded the L.L.M. degree. For the last 7 years she has been in private practice, as Senior Partner of Islamabad -based law firm. Prior to her current appointment she was also serving as Member of the Audit Oversight Board, Independent Director/ Chairperson Pakistan LNG Limited and has held independent directorships on the boards including the Pakistan Stock Exchange and various other listed companies. Previously, in 2001, Ms. Rahat Kaunain Hassan also served as General Counsel/Executive Director at the Securities and Exchange Commission of Pakistan.

During her previous term, the competition law transitioned from Ordinance into an act and CCP witnessed peak enforcement against cartels and other anti-competitive practices. She has authored and co-authored numerous orders, position papers, guidelines, policy notes on important issues of competition law and policy. She was instrumental in the establishment of the Office of Fair Trading within CCP and Under her leadership, CCP was twice nominated/short listed amongst top 5 agencies for GCR 'Enforcement Agency of the year Award' out of 42 agencies in the region of Asia Pacific Middle East and Africa, by the Global Competition Review.

Ms. Hassan was recognized as one of 100 successful women in anti-trust globally Global Competition Review in 2013. She has the honor of being nominated/ recommended for Sitara-e-Imtiaz for her work, both by her predecessor and her successor at CCP.



Ms. Shaista Bano was appointed as Member on 5 April 2019. Shaista Bano has a Master's Degree in 'Economics for Competition Law' from King's College, University of London, and a Master's in Business Administration with majors in Finance from Quaid-e-Azam University Islamabad. She is also an Associate Chartered Certified Accountant (ACCA).

She started her career with the Securities & Exchange Commission of Pakistan in 2001 as the Deputy Registrar of Companies. In 2007, she joined the Commission and became a key member of the enforcement team. Before she was appointed Member, she worked with the Commission as Director General Cartels & Trade Abuse. She led several cartel investigations, searches & inspections. She authored various inquiry reports on a wide range of industry and economic sectors such as telecommunications, electronic media, electricity generation and distribution, LPG, CNG, sugar, cement, stock exchanges, jute mills etc. These investigations, searches and enquiry reports have exposed some of the most harmful cartels and abusive practices.

Ms. Shaista Bano

MEMBER



Ms. Bushra Naz Malik

MEMBER

Ms. Bushra Naz Malik was appointed as Member on 5 April 2019. She possesses a diverse educational and professional background. She is an FCA from Pakistan and CA/CPA from Ontario, Canada. She also did an MBA from the Joint Program of Kellogg Business School, USA and Schulich Business School, Canada and AMP from Harvard Business School, USA. Additionally, she has graduate degrees in Law and Arts from Pakistan.

She has provided consultancy services to several public and private organisations in Pakistan and abroad. She has also served in the private sector in the lead positions and worked in business development for 18 years. She is also a certified director from the Pakistan Institute of Corporate Governance (PICG) and the Institute of Chartered Accountants of Pakistan (ICAP). She completed her six-year term as the Chair of the independent oversight committee at the International Labour Organisation (ILO), Switzerland, in December 2018. She is also a Board Member and Audit Chair of World Agroforestry Centre, Kenya, Centre for International Forestry Research, Indonesia, Pakistan Industrial Development Corporation, Trading Corporation of Pakistan, and Ex-Board Member of Fauji Fertilizer Company Limited. She is a serving member of the oversight committee of UNHCR, Switzerland and has been a Board Member and Audit Chair for CGIAR, France and Lahore Stock Exchange, Pakistan. She served in 2012 as director finance of campaign committee, Tran Nhan Tong Academy, Boston, promoting peace through music and a member of Pakistan steering group for Common Wealth Business Women in the same year.



Mr. Mujtaba Ahmad Lodhi

MEMBER

Mr. Lodhi holds Master of Science degree in 'Investment and Finance' from Queen Mary University of London, UK. He also holds Bachelor of Science (Honours) degree in 'Software Engineering' from University of East London, UK.

He has been associated with financial services industry in United Kingdom for the past fourteen years. During his career he has worked on senior positions with top global banks, including Barclays, HSBC, Citigroup and JP Morgan. Mr. Lodhi brings with him in-depth knowledge and expertise in the fields of Regulatory, Compliance, Finance, Restructuring and Technology.

As Member CCP, he supervised several core departments, including Mergers and Acquisition, Exemptions, Office of Fair Trade, Information and Technology and office of International affairs. Thus, Mr. Lodhi not only played an instrumental role in enforcement actions but also synergizing collaborations at both local and international levels.

MINISTRY OF FINANCE

CHAPTER 2



Mr. Shaukat Tarin

FINANCE MINISTER

(April 2021 – Present)

A business graduate, who majored in finance, Mr. Tarin started his career with Citibank Pakistan in 1975, and worked there for almost twenty-two years. In 1985, he was appointed Country Manager UAE and Oman and Regional Manager for Citibank's Consumer Business in Gulf and Pakistan.

- Country Manager, Citibank Pakistan
- Country Manager, Citibank Thailand
- Chairman & President, Habib Bank
- Chairman and Chief Executive Officer, Union Bank
- Chairman, Pakistan Banks Association
- Chairman, Karachi Stock Exchange
- Chairman, National Commodity Exchange Limited

For his meritorious services to the banking sector, he received two national awards:

- Quaid e Azam, Gold Medal Award on December 3, 2005 by the Governor of State Bank of Pakistan, Dr. Ishrat Husain for his meritorious contribution to the banking industry.
- Sitara e Imtiaz, a civil award conferred by the President of Pakistan on March 23, 2007 for his contribution to Public Service.

Moreover, Mr. Tarin also received the "Distinguished Alumni Award" for leadership and ingenuity from CEO of Citibank New York. From October 6, 2008 till February 28, 2010 he was appointed as Minister for Finance, Revenues, Economic Affairs, Planning and Statistics. During his tenure, he stabilized the economy, which was heading towards a certain default and was facing high inflation, large current account and fiscal deficits and dwindling FX reserves. He was able to spearhead the successful conclusion of a Consensus National Finance Commission Award after 19 years.



Mr. Hammad Azhar

FINANCE MINISTER

(March 2021 – April 2021)

Mr. Azhar received his early education from Aitchison College and later was a pupil at Wellington College. He graduated with a bachelor's degree in Development Economics from SOAS, University of London and completed his postgraduate diploma in law from the BPP Law School. He served as:

- Federal Minister for Economic Affairs (10 July 2019 to 5 April 2020),
- Federal Minister of Industries and Production (6 April 2020 to 6 March 2021),
- Minister of State for Revenue (11 September 2018 to 9 July 2019) and
- Federal Minister for Revenue (8 July 2019 to 9 July 2019)

The World Economic Forum (WEF) named Mr. Azhar as one of its Young Global Leaders from South Asia. According to a press release, the WEF identifies the world's most promising leaders under the age of 40 who are driving innovation for positive change across civil society, arts, culture, government and business. Mr. Azhar has been named alongside 114 young global leaders that make up the class of 2020.



Dr. Abdul Hafeez Shaikh

FINANCE MINISTER

April 2019 – March 2021

Dr. Shaikh, an economist of international repute with over 38 years of experience, served in multiple roles related to economic policymaking, management and implementation. A few included:

- Harvard University, Cambridge
- The World Bank, where he was country head for Saudi Arabia and as a Senior Official advised 21 countries in Asia, Africa, Europe and Latin America
- Minister for Finance, Planning and Development, Sindh Province, Pakistan (2000-03)
- Three times elected Member of the Senate of Pakistan (2003, 2010, 2012)
- Federal Minister for Investment and Privatization, Pakistan (2003-06)
- Federal Minister for Finance, Revenue, Economic Affairs, Statistics and Planning & Development (2010-13)
- General Partner, international investment fund
- Dr. Shaikh was awarded Pakistan's "Man of the Year" in 2004 by the business community in recognition of his contributions to the country.
- His three years as the Federal Minister for Privatisation & Investment (2003-2006) were the most successful in Pakistan's history. 34 transactions worth over US $ 5 billion were completed in a transparent fashion.
- He was a highly regarded member of the Senate of Pakistan and was Chairman of the Senate's Committee on World Trade Organization.
- Advised governments in Saudi Arabia, Sri Lanka, Indonesia, Malaysia, Philippines, Thailand, Vietnam, Romania, Czech Republic, Iran, Kuwait, Argentina, Bangladesh, Jordan, Qatar, Malta, Botswana, Tanzania, Ghana and Libya.
- Dr. Shaikh has a Ph.D, in Economics.



Mr. Kamran Ali Afzal

FINANCE SECRETARY

Kamran Afzal possessed PhD Political Economy from University of Melbourne, Australia in 2011. He had done Masters of Public Policy and Management from University of Melbourne, Australia in 2003. He did his Masters in Economics from Government College, Lahore in 1995.

He held key positions in different ministries/divisions as he had served as Additional Secretary Finance external wing and devised structuring and implementation of reform program in coordination with development partners like WB, IMF, IFAD, ADB, AIIB, USAID, UNDP; liaising with SBP on matters relating to foreign exchange reserves, raising finances for balance of payment position and budgetary support.
During his early appointments, Mr. Afzal served as:

- Additional Secretary Finance on external front
- Special Secretary, Ministry of Finance
- Additional Finance Secretary Investment
- Additional Secretary PM Office.



Mr. Naveed Kamran Baloch

FINANCE SECRETARY

Mr. Baloch joined the civil services on October 22, 1985. Hailing from Pakistan Administrative Service (PAS), Mr. Baloch held several senior positions in the Government of Pakistan including:

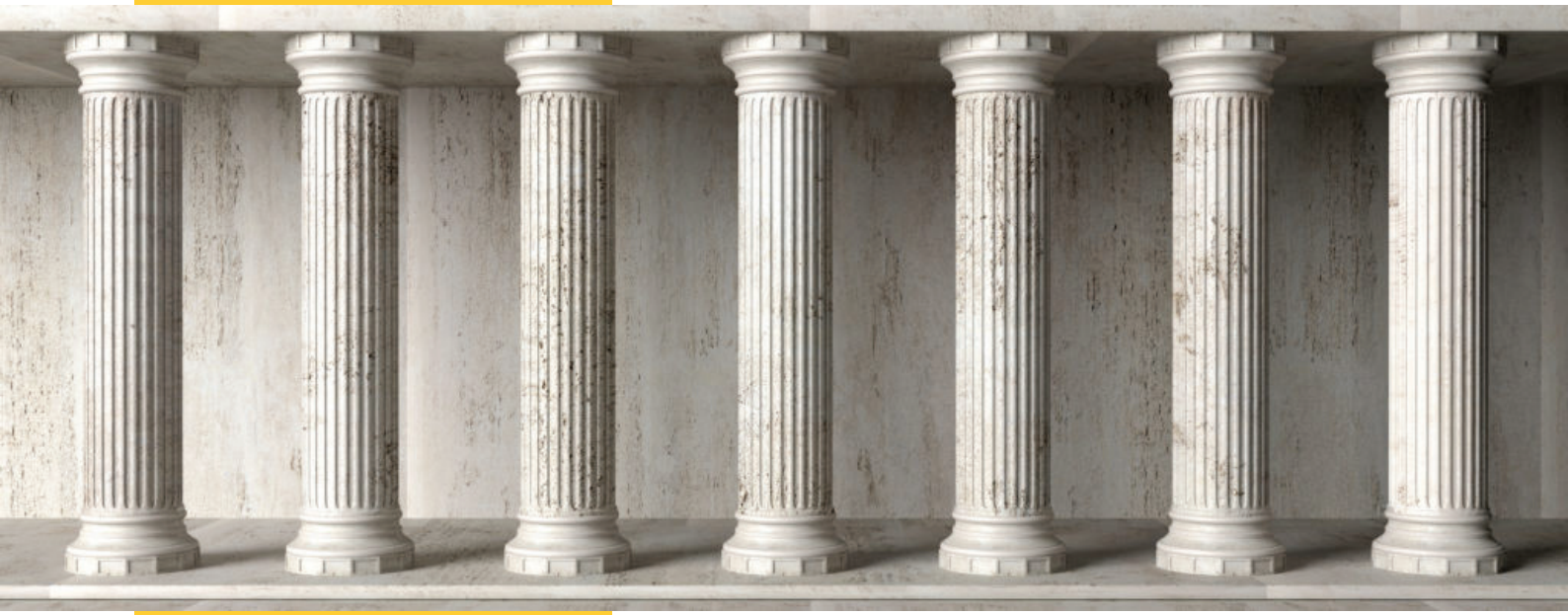
- Finance Secretary, Finance Division
- Cabinet Secretary, Cabinet Division
- Chief Secretary, Government of Khyber Pakhtunkhwa
- Federal Secretary, Ministry of National Health Services, Regulation and Coordination
- Chairman, State Life Insurance Corporation

Earlier in his career he served as Principal Secretary to the Chief Minister, and also as Finance Secretary, in the Government of Sindh.

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

The Organizational Structure

CHAPTER 3



Office of Secretary to the Commission

The Commission's Secretariat was established under the Competition Commission (Conduct of Business) Regulations, 2007. The Secretary to the Commission heads it, and its framework includes procedure and conduct of the business of the Commission under the approved procedures, functions and powers of the Chair, duties and responsibilities of the Secretary, and keeping of the common seal of the Commission.

The Secretary's responsibilities include representing the Commission at any forum as authorised by the Commission or Chairperson, issuing notices and minutes of the Commission's meetings, and certifying the decisions or documents used in hearings. The Commission also assigns other powers and duties to the Secretariat or the Secretary based on organisational exigencies.

During the year, the Secretariat arranged 28 meetings of the Commission.

Cartels and Trade Abuses Department

The Cartels and Trade Abuses Department plays a crucial role in the Commission's enforcement work. Cartels result from arrangement(s) between firms designed to limit or eliminate competition between them to increase their prices, profits without any countervailing benefits. This is generally done by fixing prices, limiting outputs, sharing markets, allocating customers or territories, bid rigging in procurement contracts or a combination of the aforementioned practices. Cartels are harmful to consumers and society as a whole because cartel members can charge higher prices (and earn higher profits) than in a competitive market.

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

Exemptions Department

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

Office of Fair Trade (OFT)

While the Cartels and Trade Abuses Department addresses distortions that take place on the supply side – anti-competitive practices like price fixing or exclusive dealing restrict supply among competitors, or significant market power that allows undertakings to charge prices above the competitive level– the Office of Fair Trade addresses distortions that can arise on the demand side of the transaction: impact on consumer choices, for example, deceptive advertising gives consumers a false or misleading impression about the worth of a product or service.

Mergers & Acquisitions Department

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

The objective of merger review and control by the Mergers and Acquisition Department is not to prevent mergers per se, but to prevent the creation of dominant positions that enable undertakings to act independently from market forces or facilitate cartelisation.

Advocacy Department

Competition Advocacy is the pursuit of competition policy by means other than law enforcement. Advocacy functions are of central importance to the Commission's work, they complement its enforcement responsibilities, and help promote the interface between all stakeholders. The Commission's advocacy responsibilities, divided between the Advocacy and Media and Competition Policy and Research Departments, include:

- *Conducting studies for promoting competition;*
- *Creating awareness about competition issues and creating a competition culture*
- *Recommending pro-competitive changes to law and policy*
- *Communicating relevant information to stakeholders;*
- *Conducting competition-related enquiries, including in response to complaints and references from the Government;*
- *Preparing an annual report on all its activities for the Government to lay before Parliament and for other stakeholders.*

The Advocacy and Media Department oversees the Commission's communication with the media and its publications, a central feature of its outreach. Commission's publications focus on (i) a comprehensive guide for business – as potential offenders and victims - on their rights and duties under the law, including advice on corporate compliance programme and (ii) a consumers' guide to the law and the rights it confers, and how to pursue them and (iii) training materials for students of business, economics, and law in partnership with key universities.
The Department also coordinates meetings under the umbrella of the Competition Consultative Group, making active use of this in managing its relations with its various stakeholders in order to mobilise support, and to provide them with an outlet for complaints. The Department follows the principle of imaginative publicity.

The power for the Commission to hold open public hearings on any matter affecting the state of competition in Pakistan is expressly provided under the law. Such authority has been highly effective in enabling the Commission to engage/accommodate conflicting/divergent sides/viewpoints/parties in order to get a holistic understanding of prevalent issues. At the same time, public hearings help focus on the Commission's public policy analysis and generate widespread support for policy changes to strengthen competition in the economy.

Competition Policy and Research Department

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

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

Office of International & External Affairs

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

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

Office of the Registrar

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

Legal Department

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



Corporate Affairs

The Commission's internal operations and day-to-day functioning come under the aegis of corporate affairs and are performed by the Administration, Accounts, and Human Resources Departments. The Commission has emphasised improving the facilities, policies, and procedures.

Each year has been the witness to improvements in operations, staffing and computerised information system.

Accounts

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

Administration

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

Human Resource

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

Internal Audit

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

Information Systems & Technology

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

The Commission is working towards the up-gradation of its digital process management system, spearheaded by the IT Department. A digital forensics laboratory has been set up with basic equipment already in place. The Department is able to perform some forensic work and up-gradation in sync with emerging technologies.

Combating Cartels & Price Fixing

(SEC 3 & 4)

CHAPTER 4

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



ORDER

Paint Dealers Avoid Price Fixing and RPM Agreement, Escaping Penalty

The Commission received information that Diamond Paints and its dealers in Multan had signed a price-fixing agreement, which was brought to its attention through an anonymous source who provided a copy of the agreement titled 'Agreement for Retail and Wholesale Rate Fixing.' To investigate this potential violation of the Act, the Commission authorized two teams of officers to enter and search the premises of Diamond Paints in Lahore and Multan under Section 34 of the Act, and relevant documents and records were impounded.

The Enquiry Report found that the dealers had entered into a price-fixing agreement, apparently violating Section 4(2)(a) of the Act, by agreeing to a price floor for the onward sales of relevant products. Additionally, Diamond Paints appeared to have agreed with the dealers on a restrictive trading condition, 'Minimum Resale Price Maintenance (RPM)' for the sale of its products, which could have facilitated a downstream cartel with the objective or effect of restricting competition in the relevant market.

Following the enquiry's recommendation, the Commission issued Show Cause Notices to Diamond Paints and its ten dealers, alleging that they violated Section 4 of the Act. The paint dealers, while responding to the notices, admitted to inadvertently violating the Act by signing and executing the impugned agreement. They claimed ignorance of the law as a defence, stating that they were unaware of the relevant provisions of the Act.

During the hearings, the paint dealers filed a leniency request, while Diamond Paints was not found to be a party to the impugned agreement. After hearing both parties, the Commission, in its Order, took a lenient view and did not impose any penalty on the dealers, considering their leniency request and their forthcoming approach. However, to educate the stakeholders, particularly the dealers, on the Act, the Commission directed its Registrar's office to circulate the Urdu transcript of the order to all paint manufacturers and the country's leading chambers of commerce. Additionally, the Commission directed the Registrar to arrange an advocacy session with Diamond Paint personnel and dealers to sensitize them to the Act.

The paint dealers, while responding to the Show Cause Notices issued by the Commission, admitted to inadvertently violating the Act by signing and executing the impugned agreement.





ORDER

DHA-I Islamabad Ordered to Provide Right of Way to Nayatel for Provision of CIT Services

The residents of DHA-1 Islamabad expressed concerns that their choices for Cable Internet and Telephony Services (CIT Services) were restricted to only two operators. They informed that only PTCL or DHAI Teleman were permitted to operate in the area, as the DHA-1 management did not issue a No Objection Certificate (NOC) to Nayatel Private Limited to operate in Phase 1 and other sectors.

Nayatel also alleged that DHA-1 had refused to provide them with a NOC on the Right of Way (ROW) and to deal on the same terms and conditions as those offered to PTCL and DHAI Teleman. It was claimed that DHA's management had created a barrier to entry for Nayatel by offering dissimilar conditions and demanding a higher price for ROW than what was already being charged to internet service providers.

In response to the concerns, the Commission conducted an enquiry and found that DHA management had, prima facie, abused its dominant position in violation of Section 3 of the Act by not allowing Nayatel to operate in the relevant market. The Commission recommended initiating proceedings against DHA under Section 30 of the Act and issued a Show Cause Notice to the management of DHA-1.

The Commission's Order observed that CIT services are an essential need for citizens, both for personal and commercial use. The residents of DHA-I wanted more choices in CIT services, but the DHA-I's management, abusing its dominant position, refused to issue a NOC to Nayatel to install its infrastructure within DHA-I Phase-I and other sectors. However, it had already granted ROW to four parties, namely PTCL, Transworld, Wateen, and its subsidiary, DHAI Teleman, for providing (G-PON) and allied CIT services to the residents of DHA-I.

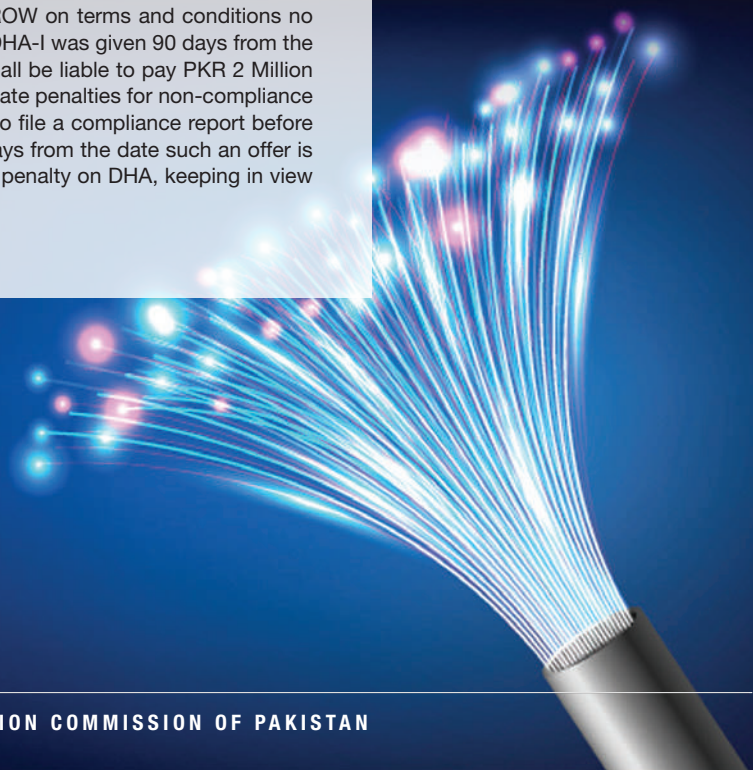
DHA-I failed to explain the logic behind the disparity between the terms and conditions, including charges, offered to Nayatel and other incumbent CIT service providers, which amounted to discrimination and the application of dissimilar conditions to the same transaction, under Section 3(1), read with subSection 3(e) of the Act.

The order drew support from the Ministry of Information Technology and Telecommunication's directive issued in October 2020, titled "Public and Private Right of Way Policy Directive," which stated that "the Public Authority shall not discriminate any licensee towards charging right of way fee, and there shall not be any differential or preferential treatment in the right of way fee for any type of licensees, including other utility service providers and those wholly or partially owned by the Federal or Provincial Government or the Public Authority."

To correct its behaviour and offer Nayatel the use of ROW on terms and conditions no less favourable than the incumbent service providers, DHA-I was given 90 days from the date of the order. In case of non-compliance, DHA-I shall be liable to pay PKR 2 Million for violating Section 3 of the Act, in addition to appropriate penalties for non-compliance under Section 38 of the Act. DHA-I was also directed to file a compliance report before the Registrar of the Commission no later than seven days from the date such an offer is made to Nayatel. The Commission did not impose any penalty on DHA, keeping in view all circumstances.



The Commission directed DHA-I to correct its behaviour and offer Nayatel within 90 days from the date of the Order to use the ROW on terms and conditions no less favorable than the incumbent service providers.



INFOGRAPHICS

In the Matter of show cause notice issued to Defense Housing Authority Islamabad/Rawalpindi for alleged violation of section 3 of the Competition Act,2010.



Competition Commission of Pakistan

www.cc.gov.pk

BACKGROUND ISSUE AND COMPLAINT

1 RESIDENT COMPAINTS

- The Commission received several emails from the residents of DHA-1 raising concerns that the residents, specifically those in Phase-1 of DHA-1, have no choice or access to any alternate Cable Internet and Telephony Service (CIT Services) provider, but to subscribe to either PTCL or DHA-I Teleman, as the DHA-1 management was not issuing a No Objection Certificate (NOC) to Nayatel Private Limited to operate in Phase 1 and other sectors.





2 VIEW OF AGGRIEVED PARTY

- On further inquiry, Nayatel also contended that DHA-1 refused to issue them a NOC for provision of a Right of Way (ROW) and to deal with it on terms and conditions similar to the ones offered to PTCL and DHA-I Teleman.

3 ENTRY BARRIERS

- Nayatel alleged that DHA's management had created a barrier to entry for Nayatel by offering dissimilar conditions and demanding a higher price for the ROW than the already existing internet service providers.



FINDINGS OF ENQUIRY REPORT

- DHA management had, prima facie, abused its dominant position in violation of Section 3 of the Act by not allowing Nayatel to operate in the relevant market.



- The Enquiry Committee recommended to initiate proceedings against DHA under Section 30 of the Act.
- Considering the findings and recommendation of the Enquiry Committee, a show cause notice was issued to the management of DHA-1.

DATE OF ORDER

3 June 2021

BENCH MEMBERS

Ms. Shaista Bano
Ms. Bushra Naz Malik

SECTOR/MARKET

Cable Internet and Telephony Service (CIT Services) provider

NATURE AND SECTION VIOLATION

Abuse of Dominant Position Section 3 of the Act

COMPLAINANT

On its Own
(Under Section 37 (1) of the Act)

ISSUES FRAMED BY THE BENCH

- Whether the Respondent has abused its dominant position in contravention of Section 3 of the Act by not allowing Nayatel the right of way to lay down its infrastructure and provide the residents alternate CIT services in Phase-I and other sectors of DHA?
- Whether the Commission has jurisdiction to take cognizance of the alleged conduct?

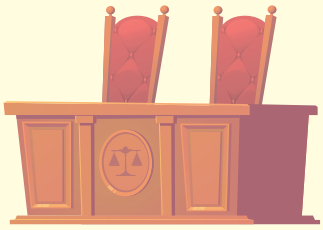
WHAT IS A DSL INTERNET?

DSL or (Digital Subscriber Link) is a type of high-speed internet connected to via Wi-Fi or an ethernet cable through a modem/router.



FINDINGS OF THE BENCH

- For CIT service providers, the ROW could be considered as an essential facility for laying down their infrastructure across public and/or private areas for provision of CIT services to the residents of the area.
- DHA-I held a dominant position in the relevant market and had already granted ROW to four parties i.e. PTCL, Transworld, Wateen and its own subsidiary DHA-I Teleman for providing (G-PON) and allied CIT service to the residents of DHA-I.
- It was observed that the residents of DHA-I had limited options of choosing amongst the service providers and that the other service providers where being charged less rent than the rates offered to Nayatel.
- DHA-I had failed to provide any legitimate objective reasoning as to why there was disparity between the charges offered to Nayatel and other incumbents, which was found to be discriminatory and constituted application of dissimilar conditions to a same transaction.



REMEDIES & PENALTY

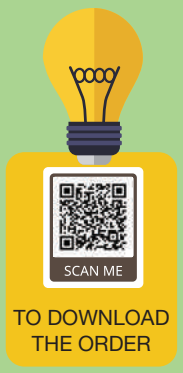


- The Bench found that the Respondent had abused its dominant position in violation of Section 3(1) read with Section 3(3)(e), (g) and (h) of the Act.
- However, the Bench was inclined not to impose any penalty on the Respondent in order to provide the Respondent another chance to correct its behavior.



DIRECTIONS

- *The Bench directed the Respondent to offer Nayatel, within 90 days from the date of the Order, to use the ROW on terms and conditions no less favorable than the incumbent service providers.*
- *DHA-I was further directed to file a compliance report to the Registrar of the Commission no later than 7 (seven) days from the date such offer is made to Nayatel.*
- *In case of non-compliance of the directions of the Bench, DHA-I would be liable to pay PKR 2 Million for violating Section 3 of the Competition Act, 2010 in addition to appropriate penalties for non-compliance under Section 38 of the Act. The Respondent was further cautioned not to engage in anti-competitive behavior in the future.*



ENQUIRIES

Enquiry Finds PSMA and Its Member Sugar Mills in Suspected Cartelisation





The Commission in its meeting held on 19 December 2019 authorized an enquiry into possible anti-competitive activities in the sugar industry under Section 37(1) of the Act. The aim was to ascertain the state of competition in the industry, including the cost of production of sugar. Later, in a meeting held on 7 September 2020, the Commission expanded the scope of the enquiry to investigate the prima facie involvement of industry players in anti-competitive activities such as abuse of dominant position or collusive activities in violation of Section 3 and/or 4 of the Act.

On 11 September 2020, the Commission authorized a team of officers to enter and search the premises of the Pakistan Sugar Mills Association (PSMA) and a member undertaking. The search teams impounded data, including emails between a senior official of a sugar mill (a member of PSMA) and PSMA Punjab zone office bearers regarding sensitive commercial information such as mill-wise and district-wise sugar stock position, the quantity of cane crushed, sugar produced, recovery percentage, carry forward old/raw sugar, total sugar, quantity sold, balance, and sold percentage.

The enquiry committee's report concluded that PSMA was acting as a front-runner for cartelization in the sugar industry. The impounded data indicated that a senior official was involved in sharing/receiving sensitive information regarding the sugar industry since 2012. Moreover, an analysis of the WhatsApp messages exchanged in a group of PSMA officials found that the same senior official of the sugar mill was in constant communication regarding price and stock-related data of sugar mills.

Additionally, member sugar mills used the PSMA platform to make commercially sensitive decisions collectively such as reducing domestic stocks/supplies of sugar, leading to an increase in or maintenance of desired price levels in the relevant market. PSMA and all 84 sugar mills, prima facie, violated the Act by collectively deciding to export sugar and thereby fixing the quantities of sugar to be supplied in Pakistan. They also violated the Act by reducing stocks of sugar through exports, collectively raising and maintaining prices of sugar in Pakistan.

In the crushing season 2019-20, 15 sugar mills in Punjab under the auspices of PSMA colluded and collectively decided to delay the crushing of sugarcane, leading to a reduction in the quantity supplied in the market. In Punjab, 45 sugar mills used the PSMA platform to share business-sensitive information. PSMA and sugar mills also divided quantities of sugar in tenders issued by USC on various occasions. The Commission found 19 mills in Punjab to have violated the Act with reference to a tender dated 2019, whereas 30 mills from all over Pakistan have been issued show cause for an earlier tender. PSMA and its member mills sought to keep prices stable, inter alia, by controlling the supply of sugar available in the domestic market. Based on the findings, the enquiry recommended initiating proceedings under Section 30 of the Act against PSMA and its 84 member mills.

Through its various enforcement orders, the Commission warned the industry's associations from indulging in activities, which may violate the . The rule of thumb is that the associations are not allowed to discuss, deliberate or share sensitive commercial information or take collective business decisions that may allow its members, who are competitors, to co-ordinate business policy or discussion on economic aspects.



INFOGRAPHICS

OVERVIEW
OF SUGAR SECTOR IN PAKISTAN

Province wise share in sugarcane production



Sugarcane contribution

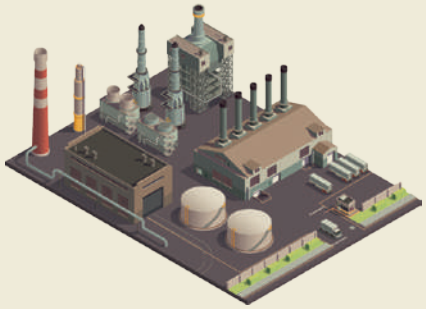
0.7%	Contribution to GDP
2.9%	Contribution in Agriculture
4.2%	Contribution in Manufacturing Sector

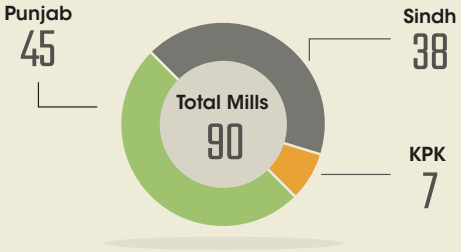
Decrease in sugarcane production

67.17 MT in 2018-19

66.88 MT in 2019-20

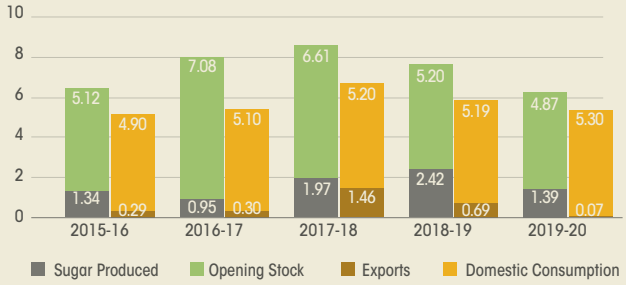
Sugar mills in Pakistan



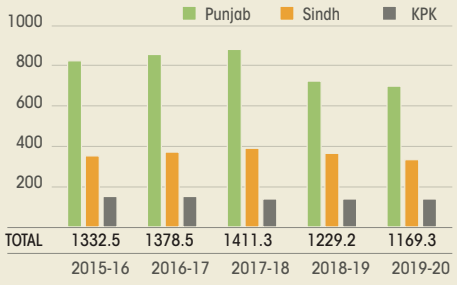


78 Operational unit during 2018-19 & 2019-20

Sugar Stocks, Production, Exports, Consumption (Million Tons)



Area under cultivation sugarcane (000 hectares)



Employment in Sugar Industry

Industry employs

>1.5 Million

People directly

Creates Jobs for

>9 Million

People indirectly



TIMELINE
OF ENQUIRY REPORT



19/DEC 2019

ENQUIRY AUTHORIZATION
The Commission authorized an enquiry into "Possible anti-competitive activities in the Sugar Industry"

REQUEST FOR INFORMATION
The enquiry committee requested 82 sugar mills to provide relevant information regarding cost and production

27/JAN 2020





08/APR 2020

FIRST REMINDER
First reminders were sent to 20 sugar mills

SECOND REMINDER
Second reminders were sent to companies that did not respond.

17/JUN 2020





07/SEP 2020

RECONSTITUTION OF COMMITTEE
Enquiry committee was reconstituted

FIRST SEARCH AND INSPECTION
Search and Inspection was conducted at PSMA's offices in Lahore and Islamabad

14/SEP 2020





25/SEP 2020

REPORTS BY FIA
The digital forensic analysis reports in the matter were promptly provided by FIA

SECOND SEARCH AND INSPECTION
Another Search and Inspection was conducted at JDW Sugar Mills

25/SEP 2020





05/OCT 2020

REQUEST FOR INFORMATION FROM FBR
FBR was asked to provide information on month-wise quantity of sugar dispatched (local and exports) for the year 2018 and 2019

FBR RESPONSE
FBR provided information on export dispatches only

14/OCT 2020





21/OCT 2020

PUBLICATION OF ENQUIRY REPORT
Findings of Enquiry report published

ENQUIRY REPORT ON SUGAR SECTOR



TOR's of Enquiry Report

1. Overview of the sugar industry in Pakistan and its state of competition.
2. Whether any industry player(s)/undertaking is prima facie dominant or there exists collective dominance in the relevant market in terms of Section 2(1)(e) of the Competition Act, 2010 (the Act). If yes, has there been any abuse in terms of Section 3 of the Act.
3. With respect to Section 4 whether there has been any prima facie violation on account of:
   a. Collusive/collective decision making behind the sugar shortage/crisis and price hike.
   b. Any other anti-competitive conduct identified during the course of the investigation.
   c. Any collusion or collective decision by sugar mills for not supplying sugar to tenders floated by USC or any form of bid rigging.
   d. Major players in the sugar industry collectively deciding to cease crushing of sugar-cane during crushing season 2019-20,

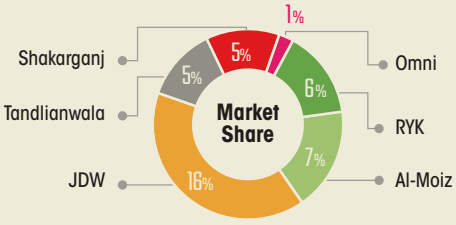
FINDINGS

1 State of Competition in Sugar Industry

- Pakistan Sugar Mills Association (PSMA) seems to still actively pursue a policy of protectionism allowing the most inefficient mills to get a due share in production and sales.
- With the presence of a large number of mills (about 89) the sector could have expected to have intense competition both in the purchase of sugarcane and the sale of refined sugar ideally pushing prices down.
- Costing analysis reveals that large variation exists between different mills. Setting of retail prices based on generalized costing information could not be relied upon, since it rewards inefficient mills at the expense of consumers who end up paying a higher price.
- Apart from the harm to ordinary consumers, high sugar prices also adversely impact cost of production and competitiveness of industrial consumers i.e. beverages, confectionary etc.
- Each unit in the industry provides livelihood to around 100,000 people; consequently political choices may play important role in shaping the industry.
- The role of Government to be limited to policy formulation and monitoring the implementation of policies. Any restrictions on exports or imports be removed and the market be allowed to function under the demand and supply forces.
- Mills have the latitude and ability to act independently in making payments to growers above the support price, setting ex-mill price, quantity of sales, product/byproducts development or branding. In this regard they are also free to compete inter alia on the basis of efficiencies and economies of scale.
- The sugar industry in Pakistan has not been able to achieve much success in creating a competitive environment whereby it can aim at achieving higher levels of technical and price efficiencies through economies of scale and development and utilization of by-products.

2 Individual or collective dominance

Group Name	Number of Mills	Market Share
Al-Moiz / Thall Group	5	7%
JDW Group	6	16%
Tandlianwala Group	3	5%
Shakarganj Group	2	5%
Omni Group	7	1%
RYK Group	3	6%



Relevant Market

Relevant market comprises of white refined sugar as product market and the whole of Pakistan as the geographic market.

Dominant position in terms of Section 2(1)(e) of the Act

Market share of single undertaking ≥ 40%

OR

Another test for dominance is to assess whether any undertaking is capable of acting independently of its competitors, consumers or suppliers.

Findings

- No individual undertaking has the capacity to meet the large domestic consumption approximated at 5.2MMT per annum alone.
- No evidence on record that seems to suggest that a few large groups have economic linkages

Result : No Abuse of Dominance

In the absence of any individual or collective dominant position in the relevant market the question of abuse of dominance for the purpose of this enquiry does not arise.

3. (a) Collusive/collective decision making behind the sugar shortage/crisis and price hike

- From 2010 to date PSMA seems to have exceeded its legitimate mandate and continued indulging in anti-competitive activities.
- The Commission's previous enquiry report into the sector (October 2009) found multiple evidences and instances where PSMA indulged in collective decisions in matters of purchase of sugarcane, production of sugar and sale or trade of sugar.
- In the past PSMA's focus was on price fixing and in the instant matter it has sought to control supply.
- PSMA devised collective strategy to pursue exports with the objective of controlling the supply and to maintain price levels of sugar in domestic market.
- PSMA members exchanged stock information to decide export quantities.
- Normally, if individual mills had taken this decision, there would have been no issue as far as competition law is concerned.
- However, the sugar mills are using the PSMA platform to take collective decisions to use exports as a means of sustaining or controlling prices or keeping them 'stable' in the relevant market.

SECTION 4 **PROHIBITED AGREEMENTS**

(1) No undertaking or association of undertakings shall enter into any agreement or, in the case of an association of undertakings, shall make a decision in respect of the production, supply, distribution, acquisition or control of goods or the provision of services which have the object or effect of preventing, restricting or reducing competition within the relevant market unless exempted under section 5.

(2) Such agreements include but are not limited to-

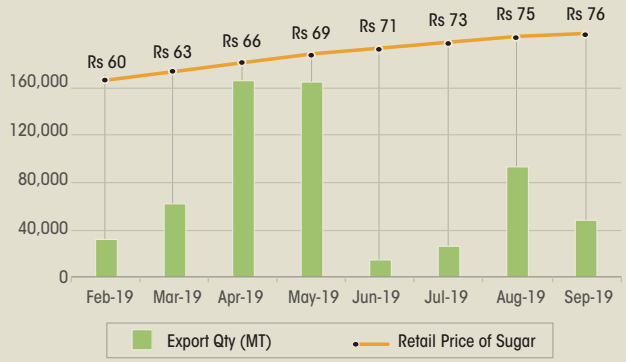
(a) fixing the purchase or selling price or imposing any other restrictive trading conditions with regard to the sale or distribution of any goods or the provision of any service;

(b) dividing or sharing of markets for the goods or services, whether by territories, by volume of sales or purchases, by type of goods or services sold or by any other means;

(c) fixing or setting the quantity of production, distribution or sale with regard to any goods or the manner or means of providing any services;"

Competition Act, 2010

Export & Domestic price levels



Whenever exports were allowed prices increased.

PKR **18**/KG
Price increase during Feb-19 to Sep-19

PKR **40** Billion
additional gain in Sugar Mills revenue

Minutes of 54th AGM held on 18th December 2019:

" In late 2019 price structure improved after export. The average month wise ex-mill rate of sugar in Punjab and Sindh during the start of the sugar year (Oct-2018) was Rs. 48.9/kg and ended at Rs. 69.26/kg by Sep-2019, up by 41.64%. Similarly the whole sale price improved from Rs. 51.41 to Rs. 70.91, a 37.91% increase."

Chairman PSMA

Evidence impounded

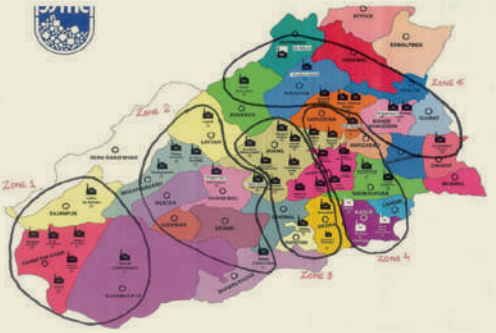
Violation

- Since 2012 to date, PSMA and its members have been collectively discussing stock positions to decide the quantity to be exported. *(fixing or setting/controlling supply within the relevant market which is a prima facie violation of Section 4(2)(c) of the Act).*
- Furthermore, this reduction in domestic stocks/supplies leads to an increase in or maintenance of desired price level in the relevant market, as admitted by PSMA through evidence available. (*a prima facie violation of Section 4(2)(a) of the Act by PSMA members).*

3. (b) Any prima facie violation on account of any other anti-competitive conduct identified during the course of the investigation

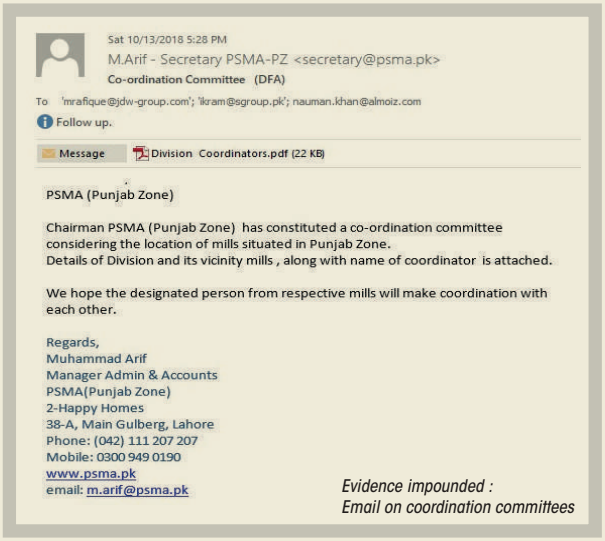
Zonal Divisions

- From the evidence available, it appears that since 2017 **PSMA Punjab Zone** has.
  - > **Created zonal divisions** for the purposes of coordination among respective mills on local sales.
  - > Share of each zone vs total production in Punjab is mapped out which shows that the coordination in sales is based on share in production'.
  - > **Stock positions** of each mill in each zone are mapped out on a monthly basis.



Evidence impounded :
Presentation of PSMA discussing Zonal divisions 2017

> Mills are also coordinating for start of crushing activity in the respective zones.



Sat 10/13/2018 5:28 PM
M.Arif - Secretary PSMA-PZ <secretary@psma.pk>
Co-ordination Committee (DFA)
To 'mrafique@jdw-group.com'; 'ikram@sgroup.pk'; nauman.khan@almoiz.com
Follow up.
Message Division Coordinators.pdf (22 KB)

PSMA (Punjab Zone)

Chairman PSMA (Punjab Zone) has constituted a co-ordination committee considering the location of mills situated in Punjab Zone.
Details of Division and its vicinity mills , along with name of coordinator is attached.

We hope the designated person from respective mills will make coordination with each other.

Regards,
Muhammad Arif
Manager Admin & Accounts
PSMA(Punjab Zone)
2-Happy Homes
38-A, Main Gulberg, Lahore
Phone: (042) 111 207 207
Mobile: 0300 949 0190
www.psma.pk
email: m.arif@psma.pk

Evidence impounded :
Email on coordination committees

Violation

Zonal division and coordination on sales, stock positions and production quota appears to be none other than monitoring the position with respect to each mill to control local sales and quantity to be sold which is a prima facie violation of Section 4(2)(a) of the Act.

Monitoring of production/consolidation of stocks–Sharing of sensitive commercial information to limit supply in the market:

- Sugar production is highly cyclical in nature with crushing undertaken in three months and sales made over a period twelve months.
- Sugar consumption/demand is fairly constant, as has been observed from consumption data over the years, hence it is the supply situation which actually effects price of sugar in the market. Moreover, sugar cannot be produced throughout the year which makes stock positions crucial for determining supply and price in the market.
- Stock position of each mill is highly sensitive in nature,
- It allows sugar mills to assess and coordinate on future sales volumes and pricing strategies.
- The coordination of stock positions is also used to influence policy decisions regarding allowance of exports (in case of surplus stock) and import decisions (in case of an impending shortage).
- It appears that since 2012 sugar mills in Punjab are using the platform of PSMA to share highly sensitive stock information in order to control supply of sugar in the market and are acting visibly in concerted and coordinated manner.

Minutes of AGM held on 10th December 2012

AGM held on 10th December 2012, "PSMA fortnightly report was also discussed and after detailed deliberation on the subject a committee was constituted headed by Mr. Muhammad Rafique of JDW Sugar Mills ltd, to collect data from the mills and supply it to the PSMA centre office for compilation of fortnightly reports on regular basis and its further distribution to the quarters concerned. It was also agree that the sugar mills may loose its membership in case it did not provide the production data".

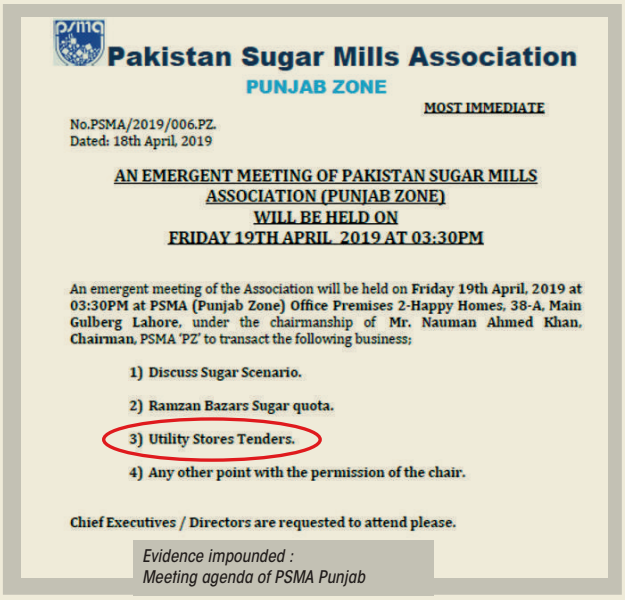
Evidence impounded : Minutes of Meeting

Violation

Stock information has a direct bearing on the current and future price of sugar thereby used to control prices and restrict and distort competition in the relevant market in prima facie violation of Section 4(2)(a) of the Act.

3. (c)

Whether there has been any collusion or collective decision by sugar mills for not supplying sugar to tenders floated by USC or any form of bid rigging



Pakistan Sugar Mills Association
PUNJAB ZONE

MOST IMMEDIATE

No.PSMA/2019/006.PZ.
Dated: 18th April, 2019

AN EMERGENT MEETING OF PAKISTAN SUGAR MILLS ASSOCIATION (PUNJAB ZONE) WILL BE HELD ON FRIDAY 19TH APRIL, 2019 AT 03:30PM

An emergent meeting of the Association will be held on **Friday 19th April, 2019 at 03:30PM at PSMA (Punjab Zone) Office Premises 2-Happy Homes, 38-A, Main Gulberg Lahore, under the chairmanship of Mr. Nauman Ahmed Khan, Chairman, PSMA 'PZ'** to transact the following business;

1) Discuss Sugar Scenario.
2) Ramzan Bazars Sugar quota.
3) Utility Stores Tenders.
4) Any other point with the permission of the chair.

Chief Executives / Directors are requested to attend please.

Evidence impounded :
Meeting agenda of PSMA Punjab

Violation

- For tender of 20,000 MT of sugar (closing date of which was 28th March 2019) it appears that **mills of PSMA Punjab Zone took a collective decision** to fix and divide the quantity of sale, among the members mills who participated in the tender, thus prima facie violating Section 4(2)(c) of the Act.

- For tender dated March 20, 2010 for 100,000 tons of sugar, it appears that vide its letters, dated 26th and 29th March 2010, to USC, PSMA and its members have taken a collective decision on dividing and sharing quantity to be supplied which is a prima facie violation of Section 4(2)(c) of the Act.

3. (d)

Did major players in the sugar industry collectively decide to cease crushing of sugarcane during crushing season 2019-20?

- During the crushing season 2019-20, PSMA Punjab Zone ceased to crush sugar from 30th December 2019 to 11th January 2020.

- It is evident from the data received from the Cane Commissioner Punjab, this closure was a collective decision on part of PSMA Punjab wherein 15 mills appear to have ceased crushing on the call of the association.

- Evidence impounded from PSMA indicates that during this period PSMA Punjab held back to back meetings with the agenda of sugarcane procurement.

- The purpose of holding these meetings appears none other than to coordinate on crushing and procurement of sugar cane. Procurement is a commercial decision and does not appear to hold relevance for collective deliberation using the association platform.

- The evidence shows that prima facie PSMA Punjab Zone particularly the 15 units named by the Cane Commissioner Punjab, are taking a collective deci- sion on procurement.

Violation

PSMA Punjab Zone particularly the 15 units named by the Cane Commissioner Punjab, are taking a collective decision on procurement in violation of with Section 4(2)(a) of the Act.

RECOMMENDATIONS

1. Sugar being the essential commodity is an important item in the consumer basket of goods, however, despite abundant supply it is not available to end consumers at an affordable price. Also it cannot be ignored that the related industries such as beverages, confectionaries etc. being the largest consumers of sugar are also affected due to lack of competition in the sugar industry affects their international competitiveness as well on account of higher cost of production as well as prices.

2. To ensure its availability to consumers at a reasonable price, large amount of public money is spent on subsidizing sugar through USC, Ramzan bazars and imports. As per findings of this enquiry report, there is a huge disparity in the cost structure of the efficient and inefficient sugar mills however due to existence of cartel the inefficient mills have been protected and the benefits of the efficiencies are not being passed to the end users.

3. Therefore, it is in the public interest to initiate proceedings under Section 30 of the Act for the afore-stated violations in terms of the finding of the enquiry report.

MEDIA COVERAGE



ENQUIRIES

Enquiry Unearths Evidence of Cartelization in the Cement Industry

The Commission initiated an enquiry in response to media reports, complaints, and concerns expressed over the hike in cement prices, particularly in the North region, during April, May, and June of 2020. The reports indicated that the cement manufacturers under the umbrella of the All Pakistan Cement Manufacturer Association (APCMA) had decided to increase cement bag prices by PKR. 45 – 55.

The enquiry revealed that cement prices had increased in Islamabad, Lahore, and Karachi during June and July 2019. The lower demand for cement during the first two quarters of 2020 due to the pandemic, coupled with the almost parallel increase in cement prices, raised suspicion of anti-competitive activities. A sudden price rise by the cement manufacturers during a time of lower demand compared to their installed capacity, despite declining input costs, fuelled this suspicion.

The Commission's authorised officers conducted a search and inspection of the APCMA's main office and the office of the Senior Vice Chairman of the APCMA's Executive Committee, who is also a senior employee of a major cement company in Lahore, on 24 September 2020. Evidence gathered during the searches on the premises of APCMA and DG Khan Cement showed active participation in collusive decisions by all major companies, including DG Khan, Askari Cement, Fauji Cement, Lucky Cement, Cherat Cement, Pioneer, Fecto, and Bestway. Decisions were taken at the highest forums, including CEOs, Chairmen, and senior executives, with orders for strict compliance.

The search and inspections conducted were challenged in the Sindh High Court, which restricted the Commission and its officers from using the material collected during the raid conducted on 19 November 2020 (in the South Region) from the premises of the plaintiffs. In compliance with the court orders, the Commission refrained from relying on the evidence from the search and inspection conducted in the South until the next date of the hearing.

With the help of records impounded during the search and inspection in the North region, the enquiry found hardcore evidence of cartelisation in the cement industry and collusive behaviour in respect of production, division of markets by territory, fixing of dispatch quota, and price fixation. The data also uncovered a WhatsApp group titled "APCMA Marketing Officials" created on 15 November 2018 and used for price-related communication.

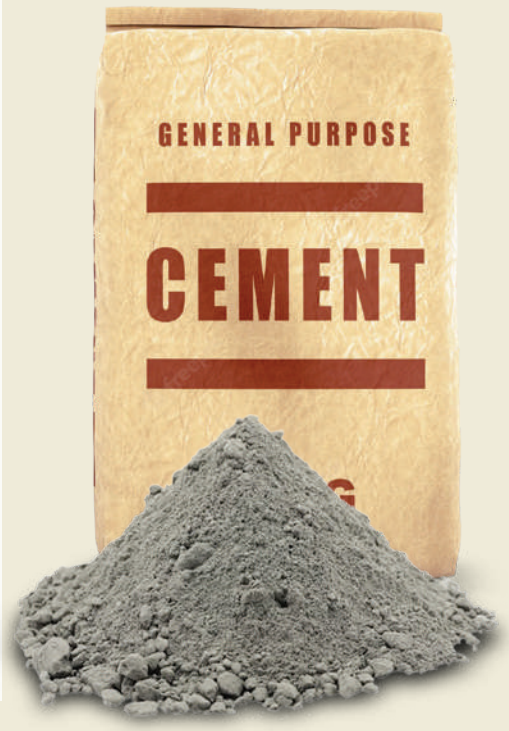
Scrutiny and forensic analysis of electronic data revealed that representatives of cement companies located in the North region exchange information through WhatsApp and text messages, and emails regarding the fixation of cement price and its underlying cost factors, quota allocation, etc. Companies in the North region were also found discussing and deciding upon the cost components of cement, including freight, axle load, fuel prices, and taxes and duties.

It was also observed that cement companies located in the North region were being directed not to distribute cement in the South region, apparently due to different price levels and quota arrangements. The North region was further divided into major cities/ zones, and some companies were designated as "premium brands," allowing them to sell at a higher maximum retail price, whereas all others sell at a lower price.

From the examination of the dispatch data, it was noted that irrespective of actual production, the share of each cement plant in total dispatches remained equivalent to its share (as per quota) in the total installed capacity in the North region. The quota allocation agreed upon was implemented daily as prescribed by APCMA for manufacturers located in the North region. Dispatch quantities were discussed and agreed upon either through the WhatsApp group or in meetings.

Considering hardcore evidence of collusive behaviour and cartelisation, the enquiry recommended the initiation of proceedings under Section 30 of the Act.

Cement manufacturers under the platform of APCMA deliberated changes in various underlying cost factors of cement including fuel price, axle load. government taxes (FED, GST) and collectively agreed on the quantum of impact to be passed on in the retail price of cement.



INFOGRAPHICS

BACKGROUND

Rs. 45-55

Price increased of 50 kg bag by cement manufacturers during months of June and July 2020.



- *Taking notice of media reports about increase in Cement price by Rs.45-55 per bag (50 kg) by an alleged cartel of the cement manufacturers, CCP conducted a preliminary probe.*

From the information gathered, it was also revealed that during the months of June-July 2019 there was a sharp increase in cement prices, as shown in table below.

City	Price Increase	Percentage Increase
Islamabad	Rs. 63	*11.4%*
Lahore	Rs. 101	*18.6%*
Karachi	Rs. 32	*5.0%*



18th May, 2020

Initiation of Enquiry

The Commission authorized an enquiry under Section 37(1) of the Act to ascertain whether there has been any prima facie violation of Section 3 and/or Section 4 of the Act by the cement manufacturers.

Unjustified increase in Cement prices

The enquiry committee noted that the increase in the price of cement came into effect at a time when:



Global coal prices dropped due to excess supply and lower demand.



Oil prices reduced considerably in the international and domestic markets between April – May 2020 (Petrol and Diesel reduced by Rs. 15 and Rs. 27 respectively).



State Bank of Pakistan slashed the interest rates by 525 bps from 13.25% to 8% during the FY 2019-20.

ISSUES TO BE PROBED

- *Whether there was any abuse of dominant position behind the cement price hike?*
- *Whether there was cartelisation or collusive behaviour by the cement manufacturers?*

OVERVIEW OF THE CEMENT INDUSTRY

More than

40

Industries are associated with the Cement Sector.

These include steel, chemicals, wood, sanitary, marble, tiles, glass, aluminum, copper wire, bricks, stone crush, transport, architecture, electric appliances

Cement sector constitutes

9.5%

of the ***Gross Domestic Product (GDP)*** of Pakistan

3% approx.

people ***employed in Pakistan are*** in Cement sector

Total local cement dispatches in Pakistan during FY 2019-20

40
million tons

Total production of cement in Pakistan during FY 2019-20

47.8
Million Metric Tons

Total companies

19

operational companies

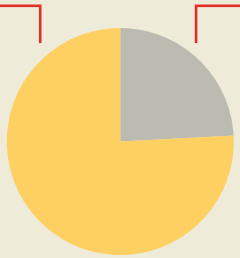
16

Cement industry is ***divided in 2 regions***

North regions

76%
installed capacity

18
Plants

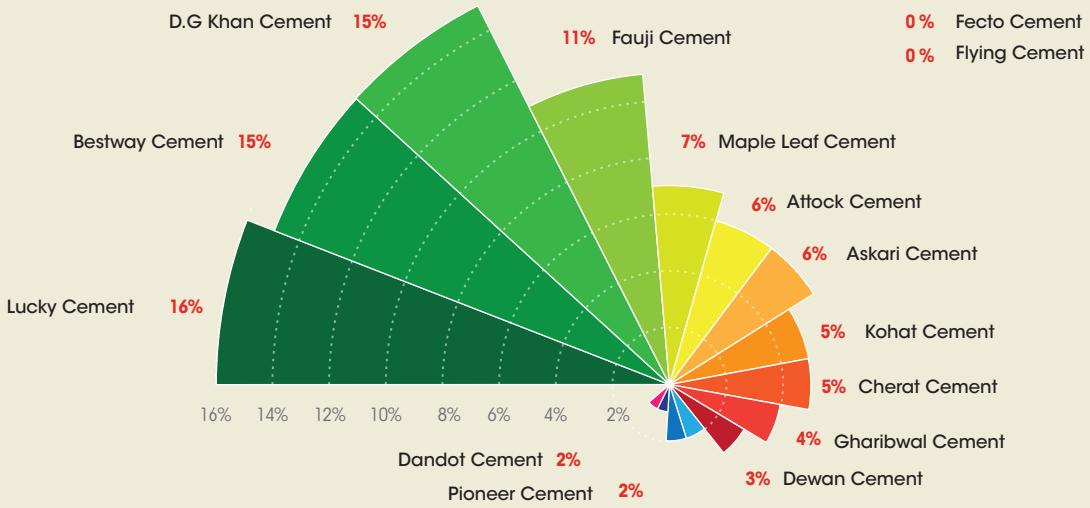


South regions

24%
installed capacity

6
Plants

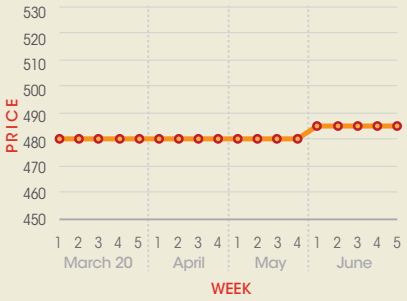
MARKET SHARES



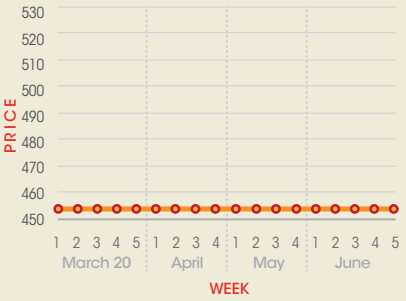
PRICING DATA

Graphical representation of the cement price data as provided by the cement companies.

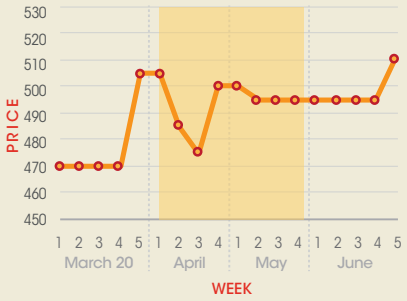
BESTWAY CEMENT



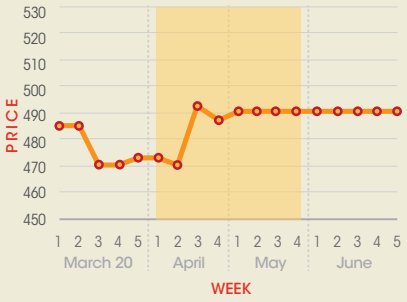
LUCKY CEMENT



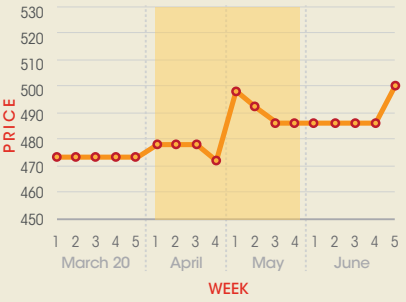
DG KHAN CEMENT



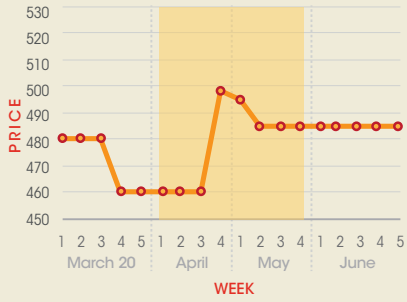
FAUJI CEMENT



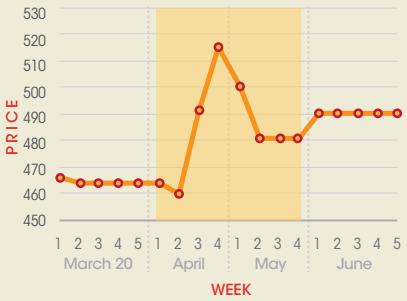
CHERT CEMENT



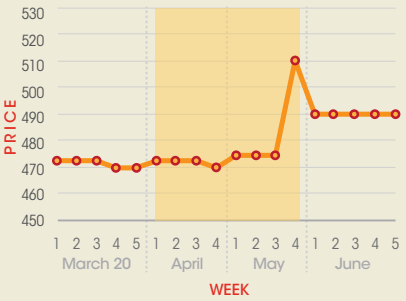
FECTO CEMENT



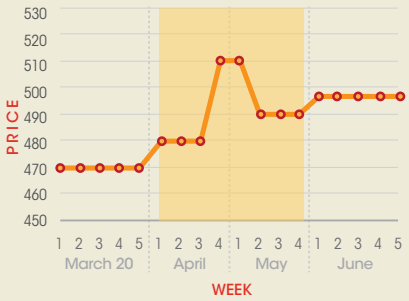
PIONEER CEMENT



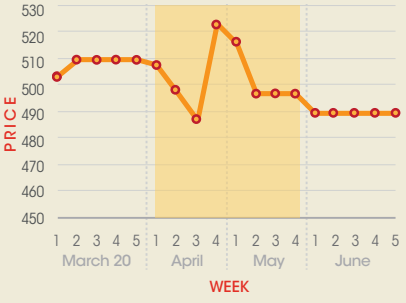
GHARIBWAL CEMENT



KOHAT CEMENT



MAPLE LEAF CEMENT



COSTING DETAILS



Cost of Raw Material (limestone, gypsum, clay, sand, iron ore)

Fuel and Power cost

Freight cost (transportation through sea, rail and road)

Direct labor and Factory overheads (plant depreciation/insurance/repairs)

Other cost (finance cost, marketing, admin and selling cost)

ENTER & SEARCH INSPECTIONS

24th September 2020 (North region) :

To gather proofs of any collusive activity, the CCP conducted search and inspection at:

i) The APCMA main office

ii) The office of a senior employee of a major cement company who is also office bearer of APCMA executive committee representing the North region.



19th November 2020 (South region) :

The impounded record from North region, including whatApp messages and emails warranted conducting search and inspection iin the south zone as well, for obtraining evidence relating to anti-competitive activities. Hence search inspections were held in Karachi at the following premises:

i) Chairman of APCMA

ii) Vice Chairman of APCMA

- ***Evidence gathered during raids on the premises of APCMA office bearers demonstrates active participation in the collusive decisions by all major companies*** including DG Khan, Askari Cement, Fauji Cement, Lucky Cement, Cherat Cement, Pioneer, Fecto and Bestway. Decisions were taken at the highest forums i.e. CEOs, Chairmen and senior executives including Directors with orders for strict compliance and adherence of the same.



FINDINGS OF THE ENQUIRY COMMITTEE

The enquiry report found hard core evidence of cartelization in cement industry and collusive behaviour in respect of production, division of markets by territory, fixing of dispatch quota and price fixation from the documents recovered during search and inspection in the North region.

Price Fixing

- Analysis of the computer stored data on smartphone device of Mr. Shoaib Ahmed (Marketing department official of D.G Khan Cement) highlighted the presence of a ***WhatsApp group named "APCMA Marketing Officials"*** which was created on 15th November, 2018 and was used as a medium to communicate and decide on the fixation of price in the North region.



Price increase between 16th April 2020 and 29th July 2020.

- ***The collective price increase by the cement manufacturing companies*** is also evident from the data obtained by the by the Enquiry Committee from Pakistan Bureau of Statistics (PBS) which shows the per bag cement price increase between 16th April 2020 and 29th July 2020.

Period (Weekly)	Islamabad	Lahore	Peshawer
16 April 2020	496	493	490
23 April 2020	496	500	519
30 April 2020	516	550	509
7 May 2020	516	540	509
14 May 2020	516	540	507
21 May 2020	520	530	499
28 May 2020	520	530	503
4 June 2020	520	530	503
11 June 2020	520	510	497
18 June 2020	500	510	497
25 June 2020	500	510	493
2 July 2020	520	510	497
9 July 2020	530	530	506
16 July 2020	547	530	510
23 July 2020	553	530	510
29 July 2020	553	540	507
Net Increase	**57**	**47**	**17**

Source: Pakistan Bureau of Statistics (PBS)

Companies in the North region have been found discussing and deciding upon the cost components of cement which include; freight, axle load, fuel prices and taxes and duties.

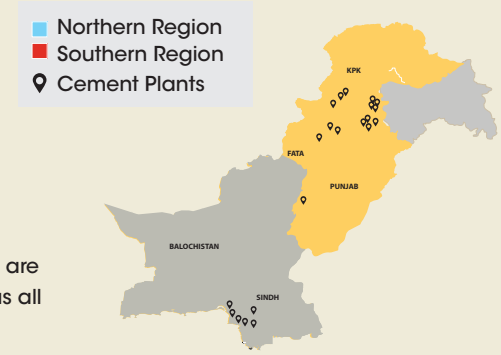
Division of Markets by Territory

Market Segmentation

Cement companies located in the North region are being directed not to distribute cement in South region apparently due to different price levels and quota arrangement.

Division of Cities

North region is further divided into major cities and for each city some companies are designated as 'premium brands' which allows them to sell at a higher MRP whereas all 'others' sell at a price lower than the premium brands.



Fixing of Dispatch Quota



- From the examination of the data it is noted that irrespective of the percentage of actual utilization of each cement plant, the share of each plant remains equivalent to the installed capacity. The same is also confirmed through the impounded data pertaining to plant wise dispatches and installed capacity for FY 2018-19 and FY 2019-20:
- From the assessment of the impounded evidence it is noted that quota allocation agreed is implemented on daily basis as prescribed by APCMA for manufacturers located in the North region.
- Dispatch quantities are discussed and agreed upon either through the whatsapp group or in meetings.



ENQUIRY COMMITTEE RECOMMENDATION

The enquiry Committee has recommended that the Commission, in light of hard core evidence of collusive behaviour and cartelization of cement industry, many consider initiating proceedings under Section 30 of the Act against the APCMA and its members' undertakings in terms of the findings of the enquiry report.

CURRENT STATUS



Before completion of this enquiry report and making the finding public, the CCP's search and inspections conducted were challenged in the Sindh High Court in which the petitioners wanted protection from the search inspections conducted both in the North and South regions. However, Sindh High Court restricted itself to the search inspection that was conducted in South Region and restrained CCP and its officers from using the material collected during the raid conducted on November 19, 2020 (in the South Region) from the premises of the plaintiffs. In compliance, the Commission restrained from relying on the evidence from the search and inspection conducted in the South.

Later, after the competition of the enquiry report, another cement manufacture company from the north region approached Sindh High Court and pleaded the same protection from the search inspection conducted on 24th Sep 2020 in the north region. The honorable court also restrained the Commission from using the evidence impounded during the raid.

ENQUIRIES

Enquiry Uncovers Evidence of Poultry Feed Mills Cartelisation in Raising Prices

The Commission took notice of concerns and complaints received through the Prime Minister Citizens Portal and the Commission's online Complaint Management System. The complaints alleged that leading poultry feed mills in the country had colluded to raise poultry feed prices. Poultry farmers were among the complainants whose businesses were affected by the higher feed prices.

The complaints noted that poultry feed manufacturers had increased their prices citing rising production costs. However, the increase was not proportionate to the prices of Maize and Soybean, which are the main ingredients in poultry feed. The Commission found that 19 mills had increased their prices by a similar quantum on the same date in November 2019 with similar reasons for the price increase, which raised suspicions of cartelization.

In February 2021, the Commission raided two major poultry feed producers and impounded crucial evidence pointing towards price change coordination among the feed companies. The impounded record revealed that officials of the 19 feed mills were using an active WhatsApp group to coordinate price increases. These discussions included the effective date and amount of the rise and were implemented on the ground, as evidenced by official price lists of the companies.

Poultry feed comprises approximately 75-80% of the cost of broiler meat and eggs. Therefore, the hike in feed prices affected the prices of chicken and eggs, which are the most commonly consumed high-protein foods. The Commission's Enquiry found that from December 2018 to December 2020, the feed mills colluded to raise the poultry feed prices by PKR. 825 per 50kg bag, making the feed 32% more expensive for poultry farmers.

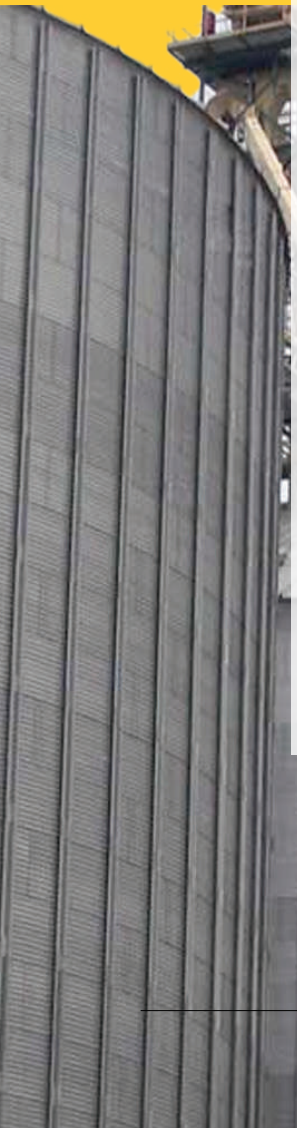
Data from the Pakistan Bureau of Statistics (PBS) for September 2020 shows that chicken prices rose by 18.31% and eggs by 5.2%. The rise in these prices coincided with an increase in feed prices by almost PKR. 100 per bag. In October 2020, after another price increase by poultry feed mills, chicken and egg prices rose significantly.

The Enquiry found that mills carried out price changes between December 2018 and December 2020 in a coordinated manner in short intervals at least 11 times. This constituted a violation of Section 4 of the Act. Not only were price revisions made on the exact dates, but the amounts of price changes were also similar.

Maize, which is the primary component of feed, constitutes 55-60% in terms of physical usage in feed and approximately 40% of the cost. Maize prices fell by 7% in FY-2019-20 compared to the previous year, and in the first quarter of FY21, they were 22% lower than in 2019-20. Soybean meal, another critical raw material, saw higher prices.

However, a rise in input prices cannot be used to justify uniformly increasing feed prices, as each mill has a different cost structure and business model. Poultry feed mills are each other's competitors, and any discussion and coordination on prices is prohibited under Section 4 of the Act.

The Enquiry Committee concluded that 19 poultry feed companies had engaged in prima facie price coordination, and their alleged anti-competitive conduct had caused a rise in poultry feed prices. The Committee recommended that the Commission consider initiating proceedings under Section 30 of the Act against the poultry feed companies involved in the alleged violation of Section 4 of the Act.



INFOGRAPHICS

FINDINGS OF ENQUIRY REPORT ON

POULTRY FEED SECTOR CARTELISATION

CONCERNS & COMPLAINTS

- The CCP took a suo motu notice of the concerns and complaints received through the PM Citizens Portal and the CCP's own online complaint management system, alleging that some of the leading mills in the country collusively raised poultry feed prices.
- The complainants also included poultry farmers whose business were hit by the costlier feed prices.

Poultry feed producing mills in Pakistan **350**

→ **150** registered mills

→ **200** unregistered mills



Cost of broiler meat and eggs comprise of **75 - 80%** **Poultry feed cost**



Pakistan's annual poultry feed consumption for 2019-20	Annual turnover of poultry feed	Annual turnover of poultry feed	Current investment in sector is more than
6.6 Million tons	**11th** Largest producer in the world	PKR **396** Billion	PKR **700** Billion

SUPPLY CHAIN

Poultry feed producers

- Through dealers
- Direct sales to poultry farmers

FINDINGS OF THE ENQUIRY REPORT



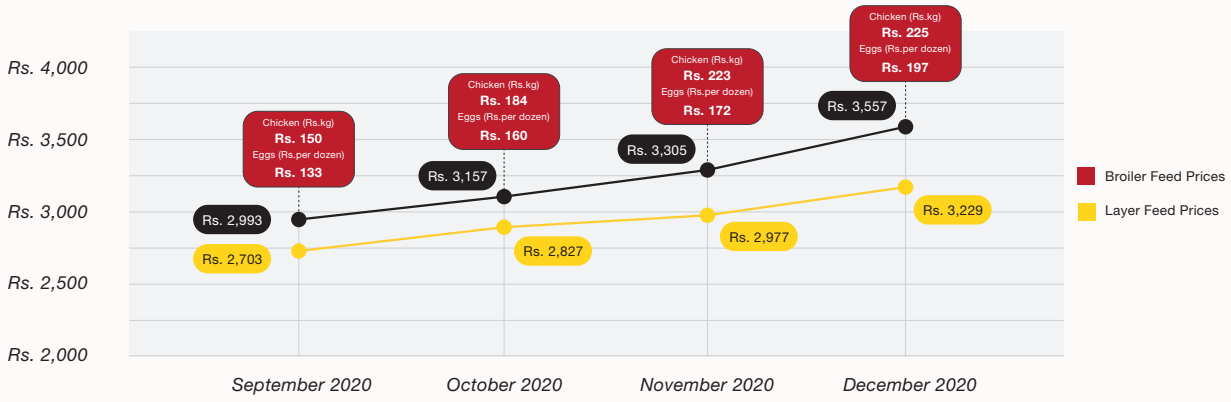
*Findings of the enquiry report revealed that **19 poultry feed companies** have been involved in price coordination*

*Officials of 19 feed mills were using an active **WhatsApp group** to discuss and fix the prices of feed.*

Price discussions included not only the effective date of increase but also the amount of increase to be made.

Enquiry revealed that from December 2018 to December 2020, the feed mills colluded to raise the poultry feed prices by Rs. 825 per 50kg bag, thus making the feed 32% costlier for the poultry farmers.

FINDINGS OF THE ENQUIRY REPORT



INPUT COSTS ANALYSIS OF POULTRY FEED

- *An analysis of poultry input costs shows that maize, which is the primary component of feed, constitutes 55-60% in terms of physical usage in feed, approximately 40% of the cost.*
- *Maize witnessed a bumper crop in 2020 and was abundantly available.*
- *Moreover, in FY-2019-20, maize prices fell by 7% compared to the previous year and in the first quarter of FY21, were 22 % lower than 2019-20.*
- *On the other hand, soybean meal, another critical raw material, saw higher prices.*
- *However, a rise in input prices it has been witnessed cannot be used as a justification to increase feed prices uniformly as each mill has a different cost structure and business model.*



CONCLUSION

As per findings, from December 2018 to December 2020the undertakings have acted in a collective manner to fix the price of poultry feed which constitute, prima facie, violation of Section 4 (1) read with Section 4 (2) (a) of the Competition Act, 2010.

The undertaking's argument that the increases were on account of rising input costs does not hold merit.

ENQUIRY COMMITTEE RECOMMENDATION

The Enquiry report recommended the Commission to initiate further proceedings against the all poultry feeding mills for their alleged involvement of anti-competitive practices under Section 30 of the competition Act, 2010

ENQUIRIES

Enquiry Finds Collusion Among Dairy Associations to Fix Milk Prices in Karachi

The Commission launched an Enquiry in response to media reports and a letter from a prominent Consumer Association regarding a significant increase in milk prices announced by dairy associations at the farm, wholesale, and retail levels in Karachi and its adjacent areas. The media also reported the involvement of several other dairy associations in fixing the price of milk. The official government rate for milk was PKR. 94 per litre, while the collusive/collective price set by the associations was PKR. 120 per litre. This resulted in an approximate daily liability of PKR. 130 million and an annual impact of PKR. 47 billion to consumers. Moreover, it distorted the market and eliminated competition on prices, causing consumers to pay unfair prices regardless of milk quality.

Milk is an essential commodity and a critical ingredient in several products such as desi ghee, butter, cheese, confectioneries, and cosmetics. Thus, any price change in milk affects the prices of all other products across the country. The Enquiry Committee analyzed Karachi's milk sector, which revealed that five cattle colonies supply fresh milk on the city's outskirts. The milk supply chain involves dairy farmers, wholesalers, and retailers, where annual contracts called 'bandhi' fix the milk purchase rate and quantity through various dairy and retailer associations. Milk can also be purchased from the mandi located at Lee (Bolton) market in Karachi.

Although the Commissioner Karachi Division sets the prices at all levels of the milk supply chain, the notified prices are not adhered to, mainly due to the role of various associations involved in the milk supply chain. There are three dairy farmers associations in Karachi: Dairy & Cattle Farmers Association Karachi (DCFAK), Dairy Farmers Association Karachi (DFAK), and Karachi Dairy Farmers Association (KDFA). Video footage of representatives of DCFAK announcing revised milk prices in Karachi in February 2021 was shared with the Enquiry Committee by an informant. Following this, the President of DCFAK appeared on various TV programs, stating that milk in Karachi would not be available to consumers at the old rate of PKR. 120, and his association would not take back the increase in milk prices. Statements from various retailers' and dairy farmers' representatives revealed that all three dairy associations in Karachi had formed a cartel and were announcing the bandhi rates. Retailers who refused to abide by the association's set rates had their milk supply stopped. The Enquiry Committee concluded that in July 2020 and February 2021, the DCFAK made decisions to fix the prices of fresh milk in Karachi, and it appears that the other two dairy farmers associations, DFAK and KDFA, followed suit as milk prices rose immediately after the announcement of new rates by DCFAK. Such price rises could not have been possible without the collusion of all three dairy associations.

Moreover, Karachi is the only city where milk prices are uniform, while they vary in all other cities, indicating rate fixation by various dairy associations. This implies that rate announcements or recommendations by associations to fix milk prices are prima facie violations of Section 4(1) read with Section 4(2)(a) of the Act. The rate set by associations acts as a benchmark, and the product is priced at or near this level. The Enquiry Committee found that the three leading dairy associations, DCFAK, DFAK, and KDFA, were involved in the cartelisation and price-fixing of milk in Karachi. In light of these findings, the Committee recommended the Commission initiate proceedings against these associations under Section 30 of the Act.

The Enquiry Committee concluded that in July 2020 and February 2021, the DCFAK made decisions to fix the prices of fresh milk in Karachi, and it appears that the other two dairy farmers associations, DFAK and KDFA, followed suit as milk prices rose immediately after the announcement of new rates by DCFAK. Such price rises could not have been possible without the collusion of all three dairy associations.



INFOGRAPHICS

FINDINGS OF ENQUIRY REPORT ON

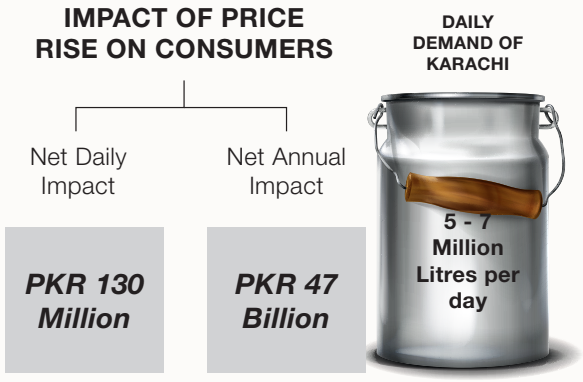
DAIRY SECTOR CARTELISATION

CONCERNS & COMPLAINTS

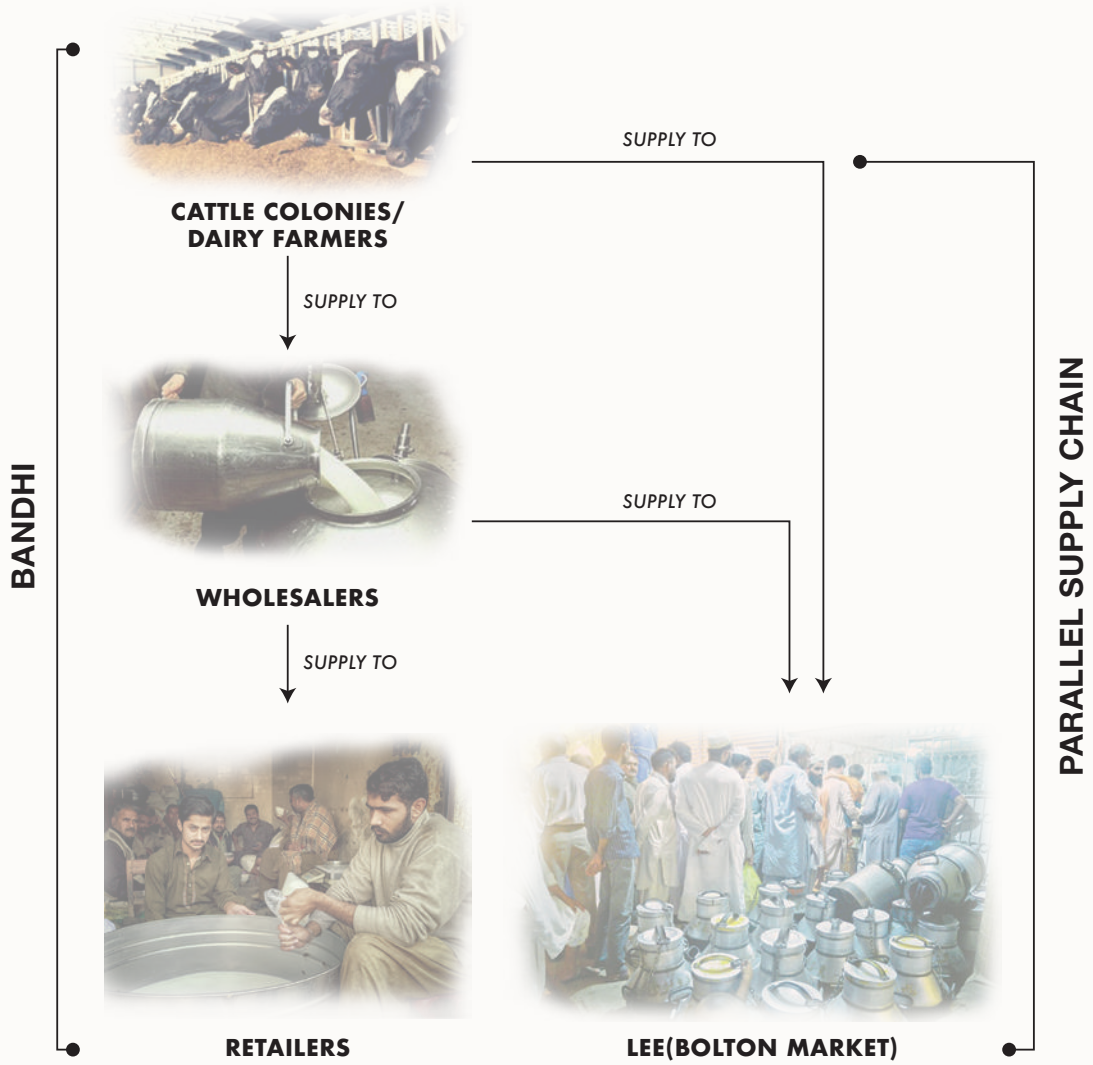
- Cartelization/price fixing in dairy sector
- Price rise of milk at farm, wholeseale, retail level
- Dairy Farmers Association (DFA) Karachi allegedly raised milk price from Rs. 110 per litre to Rs. 120 per litre as against the official rate Rs. 94 per litre

Spillover effect:

- Milk price hike affects the prices of desi ghee, butter, cheese, a variety of confectionaries, and several cosmetics accross the country



SUPPLY CHAIN IN KARACHI



OVERVIEW OF THE SECTOR



DAIRY ASSOCIATIONS, *PRIMA FACIE*, INVOLVED IN CARTELISATION

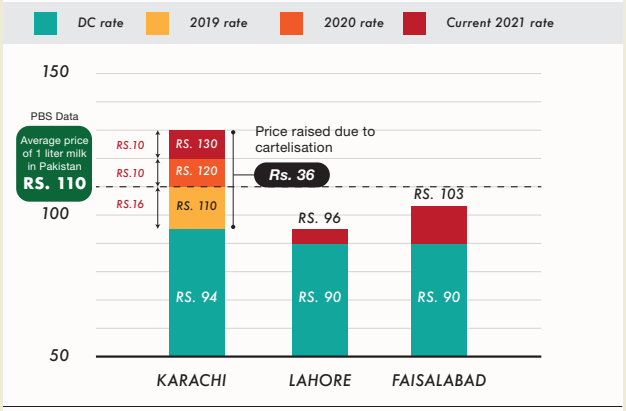
i) Dairy & Cattle Farmers Association Karachi (DCFAK)
ii). Dairy Farmers Association Karachi (DFAK)
iii) Karachi Dairy Farmers Association (KDFA)

- Fresh milk in Karachi is supplied by ***five cattle colonies*** located on the outskirts of the city
- There are three major dairy farmers associations in Karachi namely:
  - *i) Dairy & Cattle Farmers Association Karachi (DCFAK)*
  - *ii). Dairy Farmers Association Karachi (DFAK)*
  - *iii) Karachi Dairy Farmers Association (KDFA)*
- The supply chain of milk consists of dairy farmers, wholesalers, and retailers
- Milk is sold to retailers through an annual contract called ***'bandhi'*** in which the rate and quantity for purchase of milk is fixed by various dairy and retailer associations
- Milk can also be purchased from the mandi located at Lee (Bolton) market
- Commissioner Karachi Division notifies the prices at all tiers of the milk supply chain and fixing the prices per litre as ***Rs. 85 per litre for the dairy farmer, Rs. 88.75 for wholesalers, and Rs. 94 per litre for retailers***

ENQUIRY FINDINGS

1. In February 2021, an informant shared some video footages of representatives of DCFAK announcing the revised prices of milk in Karachi
2. Evidence shows that all the three dairy associations in Karachi (i.e. DCFAK, DFAK & KDFA) had formed a cartel and were announcing the rates of bandhi
3. In July 2020 and February 2021, decisions to fix the prices of fresh milk in Karachi were primarily taken by DCFAK.
4. Other two dairy farmers associations-DFAK and KDFA followed suit and raise the prices of milk
5. A city-wise comparison among Karachi, Lahore and Islamabad-Rawalpindi shows that only Karachi has a uniform milk price, which points towards rate fixation by the various dairy associations

MILK PRICE DATA ANALYSIS (CITY WISE)



Price data shows that In July 2020 prices rose from average of Rs.110 per litre to Rs. 120 per litre and in March 2021 prices rose from Rs. 120 to Rs. 130 per litre

CONCLUSION

1. Decisions to fix the rate of bandhi in the relevant market is a, prima facie, violation of Section 4 of the Competition Act 2010.
2. Rate announcements by associations to fix price of milk is prima facie violation of Section 4(1) read with Section 4(2)(a) of the Competition Act, 2010

ENQUIRY COMMITTEE RECOMMENDATION

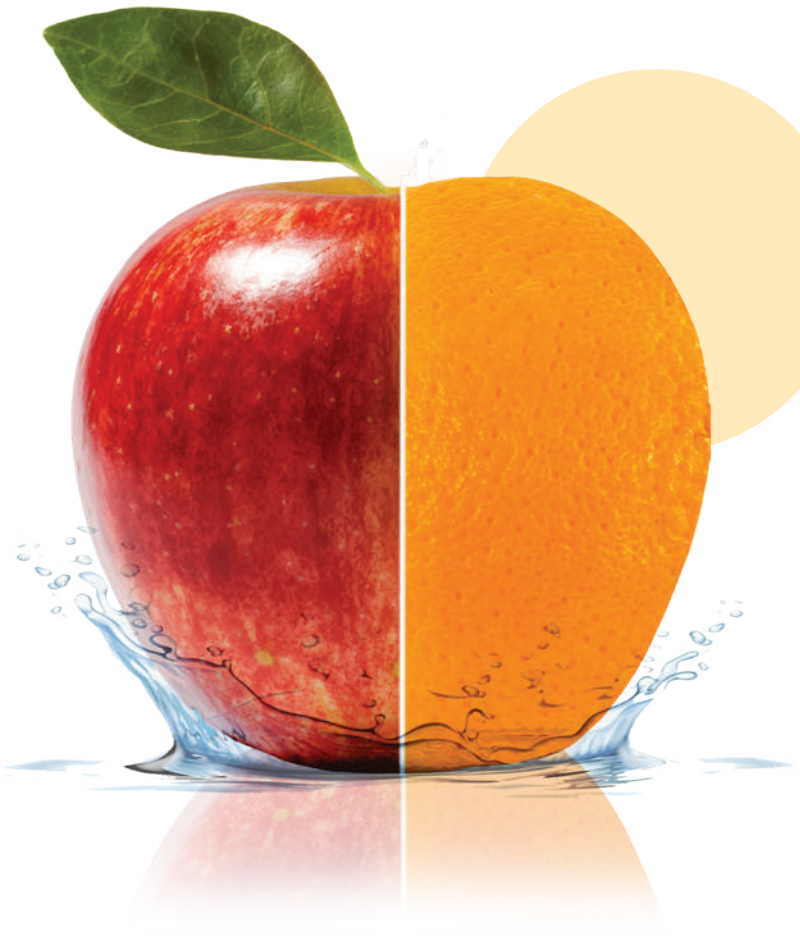
In light of the findings, the enquiry committee recommended the Commission to consider initiating proceedings under Section 30 of the Act against DCFAK, DFAK and KDFA

Curtailing Deceptive Marketing Practices

(SEC 10)

CHAPTER 5

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



ORDER

Commission Dismisses Deceptive Advertising Allegations Against Hi-Tech's 'Zic' Lubricant Products

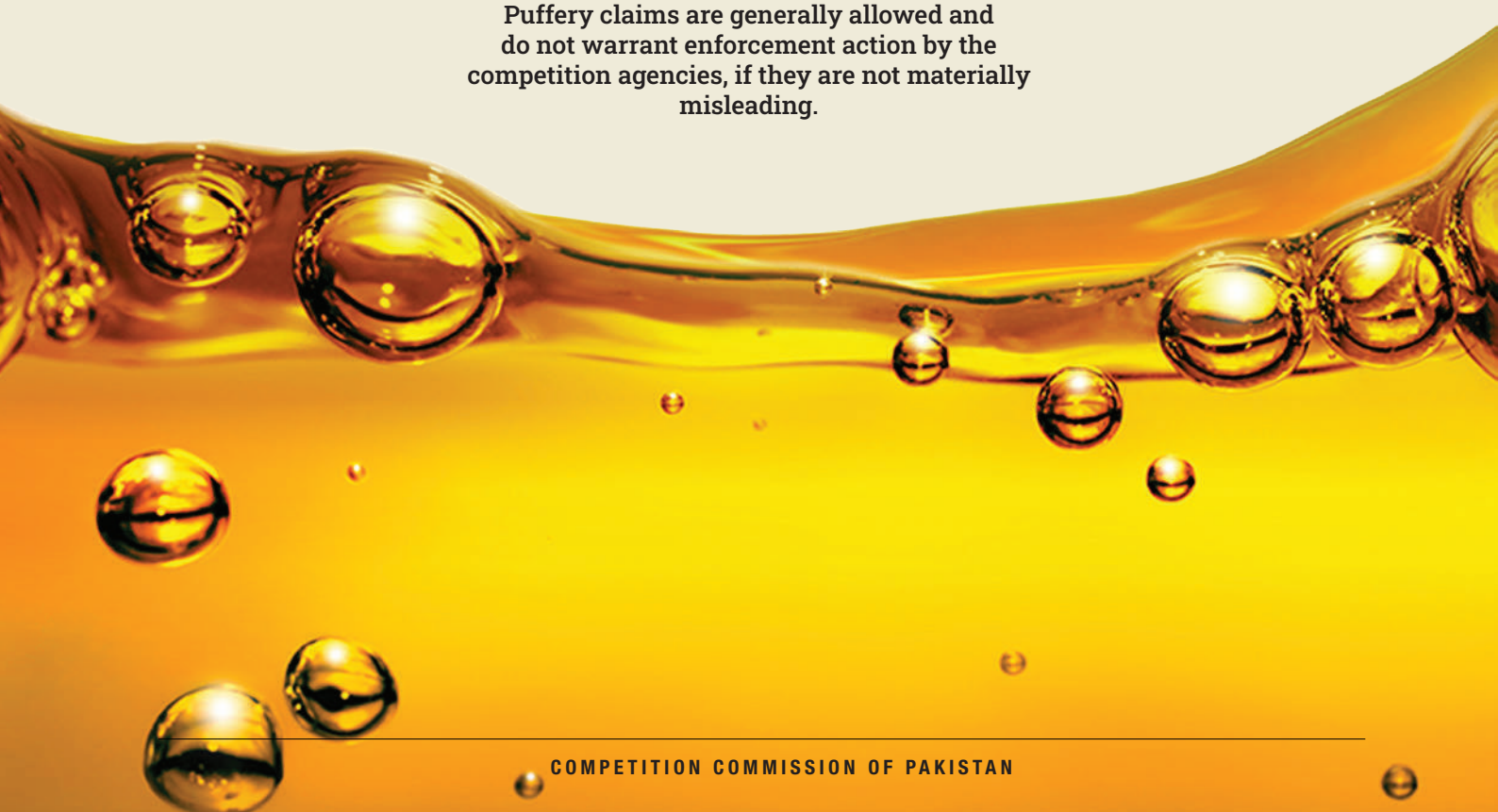
The Commission issued an Order regarding allegations of deceptive advertising claims made by Hi-Tech for their lubricant products sold under the brand name 'Zic'. The complaint was lodged by Chevron Pakistan Lubricants, who alleged that Hi-Tech's marketing claims were in violation of Section 10 of the Act and created an unsubstantiated impression of superiority over competing products.

After conducting an Enquiry, the Commission found that certain claims made by Hi-Tech were without any reasonable basis and in violation of Section 10 of the Act. Consequently, a Show Cause Notice was issued to Hi-Tech, and hearings were held in the matter.

After analysing the arguments from both sides and taking into consideration the Commission's previous judgments and case law from other jurisdictions such as America, Australia, and India, the bench concluded that the claims made by Hi-Tech for promoting its products were classified as "puffery". This means that these claims were wildly exaggerated or vague, and the consumer is unlikely to take them seriously. Puffery claims are generally allowed and do not warrant enforcement action by the competition agencies, if they are not materially misleading. The bench also accepted the respondents' arguments that the Urdu word "behtreen" had other meanings and was general and vague, and not absolute as alleged by the complainant. Furthermore, the term "behtreen" is not the correct translation of the word "best" in English, which is an absolute term. The Bench held that only the claims that are objective, quantifiable, and capable of substantiation in terms of the characteristics of the advertised products would be actionable under Section 10 of the Act.

Based on the above reasoning and given the net general impression caused by the claims, the Bench set aside the enquiry report and disposed of the show cause notices against the respondents.

Puffery claims are generally allowed and do not warrant enforcement action by the competition agencies, if they are not materially misleading.



INFOGRAPHICS

In the Matter of SCN issued to M/s Hi-Tech Lubricants Ltd, Hi -Tech Blending (Pvt.) limited on complaint filed by M/s Chevron Pakistan Lubricants (Pvt.) limited

Competition Commission of Pakistan

www.cc.gov.pk



BACKGROUND

- The Complainant alleged that certain marketing and advertising claims were made by both Respondents for their lubricant products under the brand name 'ZIC' as to the quality, efficacy and fitness of the same, which included unsubstantiated comparisons with other competing products. For instance, "not every engine oil is ZIC oil and no engine oil is better than ZIC oil".
- Unsubstantiated claims were also made in the Respondents' brochures titled 'Shaandaar Gift Scheme', alleging that ZIC oil was 'fuel efficient', 'protects engine', etc.
- The Complainant also alleged that the choice of words such as "Behtareen" in the Respondents' marketing claims amounted to distribution of false and misleading information, having the effect of harming the business interests of the Complainant



FINDINGS OF ENQUIRY REPORT

- The claims including "ZIC say behtar koi engine oil nahi", "ZIC bana hai duniya ke behtareen base oil Yubase se", and "Get double protection and extra care with ZIC engine Oil" are without any reasonable basis and prima facie in violation of Section 10(1) of the Act, within the meaning and scope of Section 10(2)(a), 10(2)(b), and 10(2)(c) of the Act.

Considering the findings and recommendation of the Enquiry Committee, show cause notices were issued to both Respondents.

SCN ISSUANCE DATE:
20 August 2019



ISSUES FRAMED BY THE BENCH

In view of the findings of the Enquiry Report and detailed submissions by the parties, the following issues were framed by the Bench:

- Whether puffery is an acceptable defense under the jurisprudence of Pakistan?
- Whether the alleged claims actually fall in the category of puffery or not?
- If claims are puffery, whether there arise question of reasonable basis related to product character, properties or suitability for use?

DATE OF ORDER

15 September 2020

BENCH MEMBERS

Ms. Shaista Bano
Ms. Bushra Naz Malik

SECTOR/MARKET

Lubricating oil for automobiles and off-highway engines

NATURE & SECTION VIOLATION

Section 10 of the Act pursuant to Deceptive Marketing Practices violated

PARTIES

Complainant:
1. M/s Chevron Pakistan Lubricants (Pvt) Limited

Respondent:
1. M/s Hi-Tech Lubricants Limited
2. M/s. Hi-Tech Blending (Pvt) Limited

ANALYSIS & FINDINGS OF THE BENCH



['Puffery' is term used to describe wildly exaggerated or vague claims about a product or service that the consumer (in the context) is unlikely to take seriously. Puffery claims are generally allowed and does not warrant enforcement action by the competition agencies, provided that they are not materially misleading.]

- The ordinary consumer in the instant matter was deemed to be vehicle owners and drivers who purchase the product in question. The impugned claims were considered to be mere puffery, being subjective when determining what is 'best' and boastful and exaggerated claims.
- **No liability under Section 10 of the Act was made out. The Bench, therefore, disposed of the matter accordingly.**



NEWS COVERAGE



Deceptive marketing claims and ad slogans prohibited: CCP

ISLAMABAD: The deceptive marketing claims and advertising slogans which are quantifiable and have material effect on the minds of consumers are prohibited under the competition law of Pakistan.

"If the claim is quantifiable by virtue of data or evidence, then it no longer remains a subjective exaggeration, rather it

eting claims and ad s

Taking into consideration and analysing the arguments from both sides and in light of the Commission's previous judgments and the case law from other jurisdictions i.e. America, Australia, and India, the bench held that the above-mentioned claims made by Hi-Tech for promoting its products fell under the category of puffery. 'Puffery' is term used to describe wildly exaggerated vague claims about a product service that the

CCP passes ord
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marketing cla

ISLAMABAD (APP): The Competition Commission of Pakistan (CCP) has passed an order deciding a matter of the alleged deceptive adv claims by M/s Hi-T its products und brand name "Zic."

Chevron Lubricants (Pvt) L complained to the CC certain marketing

CCP passes order in matter of alleged deceptive marketing cl

ISLAMABAD: The Competition Commission of Pakistan (CCP) has passed an order deciding a matter of the alleged deceptive advertising claims by M/s Hi-Tech for its products under the brand name "Zic."

Chevron Pakistan Lubricants (Pvt) Limited complained to the CCP that certain marketing and advertising claims made by M/s Hi-Tech Lubricants Limited and M/s. Hi-Tech Blending (Pvt) Limited for their lubricant products under the brand name, Zic, were deceptive and in violation of Section 10 of the Competition Act,

marketing claims had created unsubstantiated impression of comparison between Zic and the competing products, said a press release issued by Ministry of Commerce.

The CCP's enquiry found certain claims of Hi-Tech carrying the Urdu words, "behtar" and "behtreen" without any reasonable basis and in prima facie violation of Section 10 of the Competition Act. On the enquiry's recommendations, a show cause notice was issued to Hi-Tech and hearings were held in the matter.

Taking into consideration and analysing the arguments from both sides and in light of the

tralia, and India, the bench held that the above-mentioned claims made by Hi-Tech for promoting its products fell under the category of puffery.

'Puffery' is term to describe wildly exaggerated or vague about a product or vice that the cons (in the context) is ly to take ser Puffery claims are ally allowed and warrant enfor action by the con agencies, provi they are not misleading.

Moreover, accepted the dents' argumer Urdu word also carrying

"behtreen" vague, as was complain Furth term "bel correct t

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خلاف ورزی ہے۔ شیدوران نے یہ بھی شکایت کی تھی کہ ہائی ٹیک کی جانب سے اپنی پراڈکٹ کے لئے "بہترین" جیسے الفاظ کا استعمال اس کی مقابل کمپنیوں کی پراڈکٹ سے موازنے کے مترادف ہے۔ سی سی پی کی جانب سے اس معاملے پر بنائی گئی انکوائری کمیٹی کی رپورٹ کے مطابق ہائی ٹیک کی دونوں کمپنیاں بادی النظر میں کسی معقول وجہ کے بغیر اپنے برانڈ کی تشہیر میں اردو کے الفاظ "بہترین" اور "بہتر" کا استعمال کرتی رہی ہیں جو کہ کمپیٹیشن ایکٹ کے سیکشن 10 کی خلاف ورزی ہے۔ انکوائری رپور ٹ کی بنیاد پر ہائی ٹیک کو شوکاز نوٹس جاری کیا گیا تھا اور سی سی پی نے اس معاملے پر ساعتیں کیں۔ سی سی پی نے دونوں سائیڈ کے دلائل سنے کے بعد اور کیشن کے پہلے دیے گئے۔

خلاف شو کاز نوٹس خارج کر دیا

اس کے کاروباری مفادات کو نقصان پہنچانے کا باعث بن رہے ہیں۔ جو کہ کمپیٹیشن ایکٹ کے سیکشن 10 کی خلاف ورزی ہے۔ شیدوران نے یہ بھی شکایت کی تھی کہ ہائی ٹیک کی جانب سے اپنی پراڈکٹ کے لئے "بہترین" جیسے الفاظ کا استعمال اس کی مقابل کمپنیوں کی پراڈکٹ سے موازنے کے مترادف ہے۔ سی سی پی کی جانب سے اس معاملے پر بنائی گئی انکوائری کمیٹی کی

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TO DOWNLOAD THE ORDER

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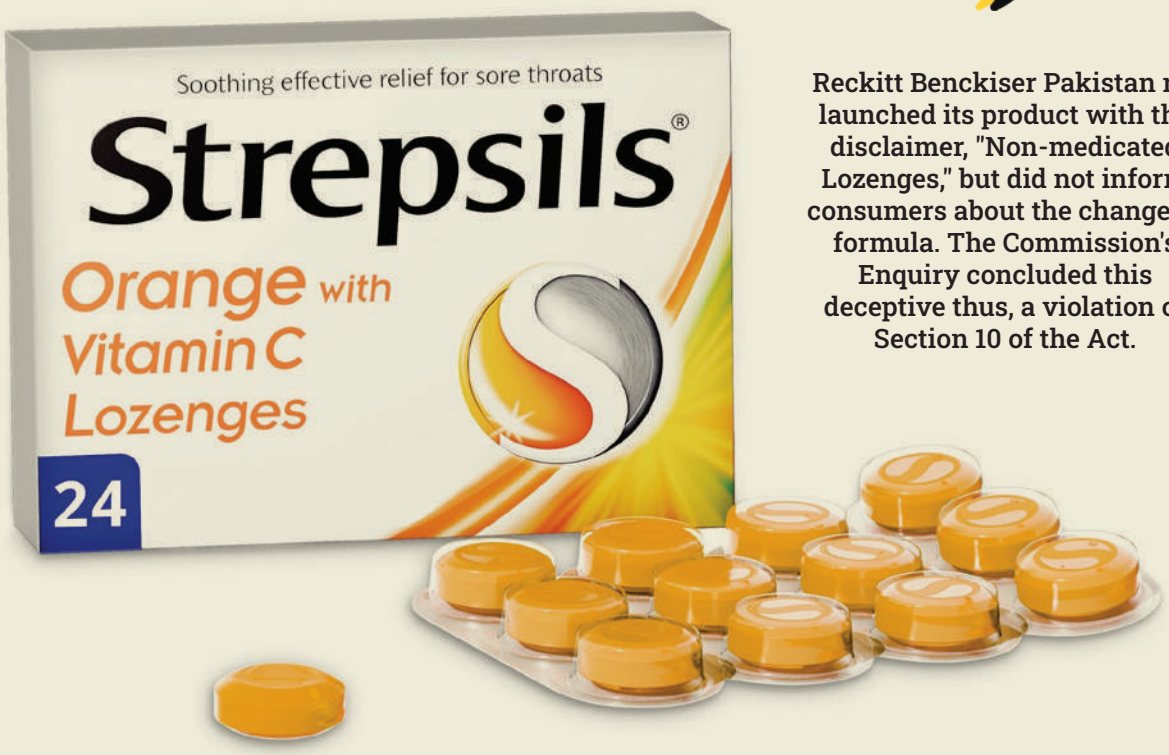
Reckitt Benckiser Pakistan Penalized for Misleading Advertising Claims about Strepsils

The Commission passed an Order imposing a penalty of PKR 150 million on Reckitt Benckiser Pakistan for violating Section 10 of the Act. The company was found guilty of disseminating misleading information about its product 'Strepsils', which could deceive consumers in violation of Section 10.

The complaint filed by Square Distribution & Marketing System alleged that Reckitt Benckiser Pakistan was creating a false impression about 'Strepsils' being a drug for sore throat and cough, even though it had been de-registered as a drug when acquired by Reckitt from Boots in 2005. The company then re-launched the product with the disclaimer, "Non-medicated Lozenges," but did not inform consumers about the change in formula. The Commission's Enquiry concluded that Reckitt Benckiser's marketing campaign was deceptive and violated Section 10 of the Act. The campaign misled consumers into believing that 'Strepsils' was still a medicated sore throat remedy, which was harmful to other businesses. The Commission's Order noted that branding plays a significant role in marketing products, and the change in formula from a medicine to a non-medicated product was material for marketing in Pakistan.

The Bench agreed with the Enquiry's findings that the marketing campaign was misleading and capable of harming businesses. The disclaimer on the box of the product was found to be inadequate. Reckitt Benckiser failed to substantiate efforts to inform the public about the change in formula. Merely printing "Non-Medicated Lozenges" on the box in small font did not discharge the obligation of disclosing a such material change in the character of the product.

Reckitt Benckiser Pakistan was penalized for violating Section 10 of the Act by disseminating misleading information about its product 'Strepsils'. The marketing campaign was found to be deceptive and capable of harming other businesses. The company failed to disclose the change in formula adequately, and the disclaimer on the product box was deemed inadequate. The Commission imposed a penalty of PKR 150 million on the company.



Reckitt Benckiser Pakistan re-launched its product with the disclaimer, "Non-medicated Lozenges," but did not inform consumers about the change in formula. The Commission's Enquiry concluded this deceptive thus, a violation of Section 10 of the Act.

INFOGRAPHICS

In the Matter of Show cause notice issued to **Reckitt Benckiser Pakistan** on the complaint filed by Square distribution & Marketing System



Competition Commission of Pakistan

www.cc.gov.pk

BACKGROUND ISSUE AND COMPLAINT



- The Complainant, a distributor of medicinal products, alleged in its complaint that the Respondent had been engaged in the dissemination of false and misleading information to the consumers by creating an impression that its product, 'Strepsils', is a drug for sore throat and cough.
- By way of background, it was highlighted that Reckitt had de-registered 'strepsils' as a drug in 2006 after acquiring the same from the company Boots and re-launched the product with the tag 'Non-medicated Lozenges' and without any pharmaceutical ingredients.

FINDINGS OF THE ENQUIRY



- The marketing campaign appeared to be pima facie deceptive in terms of Section 10(2)(b) of the Act which prohibits distribution of false and misleading information to consumers and the public was deceived into perceiving that the product was still a medicated sore throat remedy.
- The misleading campaign was also prima facie capable of harming the business interests of other undertakings in violation of Section 10(1) read with Section 10(2)(a) of the Act.
- In light of the findings, the Enquiry Committee recommended the Commission to consider initiating proceedings against the Respondent under Section 30 of the Act.

ISSUES FRAMED BY THE BENCH



Following issues were framed by the Bench;

- Whether the complaint is maintainable?
- Whether the alleged claims are false or misleading within the meanings of Section 10(2)(b) of the Act?
- Whether the alleged claims are capable of harming the business interest of the Complainant or other businesses within the meaning of Section 10(2)(a) of the Act?

DATE OF ORDER

09 February 2021

BENCH MEMBERS

Rahat Kaunain Hassan
Bushra Naz Malik

SECTOR/MARKET

Pharmaceutical

NATURE AND SECTION VIOLATION

Deceptive Marketing Practices, Section 10 of the Competition Act

COMPLAINANT

Square Distribution & Marketing System

Respondent
Reckitt Benckiser Pakistan

FINDINGS OF THE BENCH

- Generally for Section 10 cases, there is no requirement of identification or establishment of a relevant market. The Complaint was valid and submitted in accordance with law.
- While evaluating an advertisement's misleading or false nature, the complete advertisement is to be looked at and the net general impression conveyed by the same.



- It was observed that the product's trademark names, "Strepsils Throat Guard and Strepsils Comfort", were also potentially misleading and deceptive.
- Moreover, the non-medicated disclaimer was made in small font and not a part of the packaging. Thus, the Bench observed that there was merit in the Enquiry Committee's findings concerning the inefficacy of the disclaimer. The use of the term 'Lozenges' with 'non-medicated' in the disclosure itself was also considered misleading as the dictionary meaning of the term related to a 'medicated material'.



- The Bench observed that the change in formula of the 'product' had changed the character of the product from being a medicine to a non-medicated product. Moreover, the branding of a product cultivates affinity, trust and customer loyalty and is an important tool for marketing strategy as well as playing an important role for consumer choices.



- Prior long usage of medicated ingredients in the product also already left a general impression that the product was a medicated product for curing a sore throat and ordinary consumers could be misled concerning the same.



- Advertisements having claims concerning healthcare products or safety require a higher degree of disclaimer and disclosures. Considering the net general effect of the marketing material on relevant website extracts, it was observed that the product had been marketed as medicine. The marketing campaign of the Respondent had the potential to deceive the consumer with respect to the characteristics, formulation and intended use of the product. The Respondent had not been able to substantiate as to how and to what extent efforts had been made to inform the general public about the change in the formula of its product.



- As far as concurrent violations of Section 10(2)(a) and (b) of the Act were concerned, the Bench observed that the two clauses could also be construed as independent of each other. Nevertheless, in the instant matter, the deceptive marketing practices were found to be capable of harming businesses of drugs for cold and flu.



Social Media Claims







REMEDIES & PENALITY

PENALTY
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THE ORDER

- The Respondent was found to be in contravention of both Section 10(2)(a) and (b) od the Act. A total penalty of PKR 150 million [PKR 75 million for each of the violations] was imposed on the Respondent.
- The Respondent was further directed to cease and desist from conducting misleading marketing practices of the product and to ensure the inclusion of a disclaimer/disclosure, 'NON-MEDICATED', in explicit, express, bold words, on the product box as well as on the strips containing the tables and in all print and/or electronic advertising/marketing and to use the registered trademark along with such disclaimer.
- The Respondent was also directed to place a disclaimer in English and Urdu stating that "ye dawa nahi, dawa ke liye doctor se ruju Karen".
- The Respondent was further directed to ensure that its agents, distributors, dealers, etc. remove all impugned marketing material and products from the market and to publish advertisements in at least three English and Urdu newspapers having nationwide circulation regarding the change in character of the product from medicated/drug to food category in Pakistan. Such advertisements were to be given once a week until the last day of the compliance deadline.
- The Bench had given 40 days from the date of the Order to the Respondent for compliance.

MEDIA COVERAGE



BUSINESS RECORDER
12 Feb 2021 | Page 16 | Press Release

CCP imposes penalty on Reckitt Benckiser Pakistan

RECORDER REPORT
ISLAMABAD: The Competition Commission of Pakistan (CCP) has passed an order imposing a total penalty of Reckitt Limited violation Competition making claim "Strepsil found and dec The issued Thursda M/s Square Marketing Limited plaint Reckitt Limited stating tion to ating product for sore It was terms of Section 10 of the Act in general, read with sub-section 10(2)(b) of the Act which prohibits distribution of false and misleading nesses. It also observed that the disclaimer on the box of the Product was not adequate. The bench in its order held that the respondent has not The Bench has, inter alia, further directed the Respondent to stop misleading marketing practices of the Product, and required the ner/disclosure, "NON-DICATED", in English also Urdu in bold w the Product box as in the strips in in electronic adv marketing and also place in Urdu the her "ye dawa nahi, liye doctor se ru n." e bench has given to the Respond ng from the date o r for compliance, awhile, directed ondent to pub rtisements in at English and Urdu nwide circula rding the chang acter of the Pro

TRIBUNE
12 Feb 2021 | Business Page 01 | Press Release

DECEPTIVE MARKETING
CCP slaps Rs150m penalty

LAHORE: The Competition Commission of Pakistan (CCP) has imposed a penalty of Rs150 million on Reckitt Benckiser Pakistan Limited (respondent) for violation of Section 10 of the Competition Act 2010 in advertising/marketing claims about its product 'Strepsils', which have been found capable of misleading and deceiving under the Act. Square Distribution and Marketing System (Pvt) Limited filed a formal complaint, alleging that the company had been disseminating misleading information to consumers by creating impression of its produ drug for sore throat and cough. It v tablet was de-registered as a drug v

اوصاف
12 Feb 2021 | Front Page | Press Release

THE NATION
12 Feb 2021 | Page 09 | Press Release

CCP imposes penalty of Rs150m on Reckitt Benckiser Pakistan

IMRAN ALI KUNDI
ISLAMABAD

Pakistan OBSERVER
12 Feb 2021 | Page 05 | Press Release

Reckitt Benckiser fined Rs 150m for deceptive marketing

ZAHEER QAMBRANI
ISLAMABAD

CCP imposes penalty of Rs150m on Reckitt Benckiser Pakistan

IMRAN ALI KUNDI
ISLAMABAD

Trademark Infrengement

is prohibited under Section 10 of the Competition Act, 2010





ORDER

Order Issued by Commission Regarding PakWheels' Alleged Deceptive Marketing Practices

The Commission issued an order regarding PakWheels' alleged deceptive marketing practices in fraudulently using the trademark of OLX Classified Pakistan (OLX).

OLX filed a complaint with the Commission alleging that PakWheels had been copying OLX's advertisements/listings and photographs bearing its watermarked logo and posting them on its website without authorization. By doing so, PakWheels was allegedly gaining commercial benefits from the reputation, goodwill, and customer base of OLX by falsely implying and promoting its services/business to be the same or connected to or authorized by OLX. OLX claimed that PakWheels' unauthorized use of its trademark violated Section 10 of the Act.

The Commission's Enquiry found that PakWheels was, prima facie, fraudulently using the registered trademark and logo of OLX along with the photographs and description without its authorization or consent. Consequently, PakWheels was found, prima facie, to have been engaged in distributing false and misleading information to the consumers related to the properties and place of production in violation of Section 10. On the Enquiry's recommendations, a Show Cause Notice was issued to PakWheels and hearings were held in the matter.

PakWheels denied the allegations, claiming that online platforms posting classified advertisements usually allow relative freedom and anonymity to the users in posting their advertisements even on more than one website. PakWheels further stated that possibly, due to a lack of knowledge or awareness of the relevant laws, the users/third parties might have inadvertently posted OLX watermarked photos on its website. Moreover, the old online content relied upon by OLX as evidence would be difficult to judge as true or false because a listing/advertisement is generally removed from the website once the transaction is complete. Therefore, as per the contentions, the veracity of the evidence provided by the Complainant could not be verified.

After analysing the arguments from both sides, the Commission's Bench constituted a Technical Committee to ascertain the facts about the matter and give an expert opinion vis-à-vis the technical nature of the evidence available on record. The Technical Committee visited PakWheel's premises and conducted various technical tests on its systems and concluded that PakWheels had not been involved in copying or reproducing advertisements/listings originally posted on OLX's website.

In view of the Technical Committee's findings and the absence of reliable evidence, the Commission set aside the Enquiry Report and disposed of the Show Cause Notices against PakWheels.

Given the finding of the Technical Report and the absence of reliable evidence, the Commission set aside the Enquiry Report and disposed of the Show Cause Notices against PakWheels.

ENQUIRIES

Enquiry Finds Fraudulent Use of Trademark and Packaging by Al Hafeez Oil Mills and Muslim Corporations

Nawaba Oil Industries filed a complaint against Al Hafeez Oil Mills and M/s. Muslim Corporations, claiming that both companies copied and imitated their registered trademark 'Nawaba Oil Industries', as well as their copyrighted packaging and trade dress, which includes the slogan 'Asli Nawaba (R) Khal Banola'.

The Commission's investigation established that the overall trademark of Nawaba Oil Industries was registered in 2004, while their application for trademark registration, dated October 23, 2017, was still pending approval. On the other hand, Respondent No. 1, Al Hafeez, had been using this trademark since 2016. Upon examining the trademark registration certificate of the Complainant and the trademark registration application of Al Hafeez, it was proven that the Complainant had been using the relevant trademark since 2004, and Al Hafeez appeared to be trying to establish ownership over it.

The Enquiry Committee found that while Respondent No. 2, Muslim Corporations, had developed innovative brand names for its products, such as 'Taiz Roo' and 'Kashmir Gham', the artistic work of the logo and packaging/trade dress was copied from Nawaba Oil Industries. Such conduct amounted to fraudulent use of another's packaging and labelling, prima facie, in violation of Section 10(1) of the Act, read with sub-Section 10(2)(d). Based on the Enquiry Committee's findings, it was concluded that respondent No. 1 was involved in fraudulent use of the Complainant's trademark, product labelling, and packaging/trade dress, which amounts to, prima facie, violation of Section 10(1) of the Act, read with sub-Sections 10(2)(a) and 10(2)(d) of the Act. Similarly, respondent No. 2 was involved in fraudulent use of the Complainant's trademark, product labelling, and packaging/trade dress, which amounts to, prima facie, violation of Section 10(1) of the Act, read with sub-Sections 10(2)(a) and 10(2)(d) of the Act.

As per the Enquiry's recommendations, Show Cause Notices were served on Al Hafeez Oil Mills and Muslim Corporations.

ENQUIRIES

New York Pizza's Allegations Dismissed: Enquiry Finds No Infringement by New Yorker Pizza

New York Pizza, a partnership firm, lodged a complaint against New Yorker Pizza, another partnership firm, alleging that they were fraudulently using its registered trademark, trade dress, and firm name "New York Pizza" with slight modifications in their marketing material. The complainant asserted that the respondent was harming its business interests and its hard-earned goodwill.

Upon conducting an inquiry, the Commission found that the trademark and trade dress of New Yorker Pizza had a different design, and that no exclusive rights over the trademark "New York Pizza" were granted by the Intellectual Property Organization to New York Pizza. Although there was a phonetic similarity between the two trademarks, the other dominant factors such as packaging size/design, colour combinations, logo design, label design, text, font type, and size were not infringed.

Consequently, the matter was disposed of in accordance with the law, as per the recommendations of the Enquiry Committee.



ENQUIRIES

Hilal Food Accused of Spreading False and Misleading Informatiaon Regarding Trademark 'HAJMOLA'

Dabur India and Dabur Pakistan jointly filed a complaint against Hilal Food, alleging that the Hon'ble Sindh High Court (SHC) passed an interim order on April 11, 2000, allowing both parties to use the trademark 'HAJMOLA'. However, Hilal Food circulated false and misleading information regarding the association and use of the trademark 'HAJMOLA' in its letters dated February 2, 2019, and June 14, 2019, to the executive director of Pakistan Broadcasting Association (PBA) and publications in National Newspapers (Dawn & Jang) dated June 17, 2019, thereby distorting healthy competition in the market.

The Commission's enquiry established that the word 'EXCLUSIVE', used by Hilal Food in its letters and publications, was deceptive in nature and likely to mislead the ordinary consumer. It was evident from the newspaper publications that Hilal Food provided false and misleading information to the general public regarding the trademark 'HAJMOLA'. According to the interim decision of the court, both parties were permitted to use the trademark, and it was not exclusively affiliated with Hilal Food. Therefore, claiming exclusive rights on the mark was likely to provoke misleading and false information among the general public. Thus, in light of the ruling of the SHC, which is the higher forum, the claim of exclusivity in Hilal Food's publications was false and tantamount to deception. Additionally, it was apparent that Hilal Food disclosed its exclusivity with the brand name 'HAJMOLA' despite the Interim Order, which was still in effect. This conduct was not only intended to inflict damage in the form of loss of sales but also loss of brand identity and product uniqueness.

Therefore, the Enquiry Committee concluded that Hilal Food was, prima facie, involved in a violation of Section 10(1) in terms of Section 10(2)(b) of the Act, which prohibits the distribution of false or misleading information to consumers related to the character, place of production, properties, and quality of goods. The conduct of Hilal Food was also capable of harming business interests and prima facie in violation of Section 10(1) of the Act, in terms of Section 10(2)(a) of the Act.

ENQUIRIES

Lasani Pharma's complaint against Samreen Herbal Pharma and Aftab Qarshi Dawakhana Dismissed

Lasani Pharma had filed a complaint against Samreen Herbal Pharma Pakistan (Respondent No.1) and Aftab Qarshi Dawakhana (Respondent No.2), alleging that both were using similar trademarks and the label designs of its products without permission, and were manufacturing, merchandising, and selling them in the market, causing harm to Lasani Pharma's business interests.

While investigating the allegations, the Commission's Enquiry found that Lasani Pharma only had the right to the words Lasani 'Tut Siah + Mulathi' and 'Arq Mehzal' as a whole, and if someone used Toot Siah+ Mulethi or Arq Mehzal with their own trade name, it, prima facie, did not violate Section 10 of the Act.

The Enquiry also found that there was no similarity between the packaging of the products of both the Complainant and Respondent No.1 or Respondent No.2. Additionally, the artistic work, including label design, used by the Respondents No.1 and 2 was different from the Complainant, and did not cause confusion in the mind of an ordinary consumer.

The Enquiry Committee concluded that the allegations made against the Respondents were not made out, as they had created a distinguished trademark and trade dress in terms of labelling and packaging, which was different from the Complainant's labelling and packaging. Therefore, the complaint was recommended to be dismissed in accordance with the law.



ENQUIRIES

Qasim Iron Works Accused of Disseminating False/Misleading Information About Dadex Eternit's Product on Social Media

Dadex Eternit Ltd complained against Qasim Iron Works for initiating a malicious and deceptive campaign on various social media platforms. It was alleged that Qasim Iron Works was circulating certain misleading videos through its website, Facebook page, YouTube, and WhatsApp comparing the quality of its Fibre Cement Sheets with those produced by Dadex Eternit. The company claimed that its product was superior in terms of quality, efficacy, and fitness, without providing any shred of evidence to substantiate its claims.

The Enquiry Committee concluded that the claim “Dura Sheet is superior to Dadex, in terms of quality, efficacy and fitness” in the advertisement campaign was, prima facie, disseminating false/misleading information without a reasonable basis. It was also observed that Qasim Iron Works was, prima facie, making false/misleading comparison of goods and was suggesting consumers through its advertisements to use their product instead of Dadex Eternit’s products.

The Enquiry Committee recommended to initiate proceedings against Qasim Iron Works under Section 30 of the Act.

ENQUIRIES

Kennol Performance Oil's Complaint Results in Show Cause Notices for Three Undertakings in Pakistan

KENNOL Performance Oil, a France-based company, filed a formal complaint against three Pakistani firms, namely Kennol Petroleum (Pvt) Limited, Dewan Oil Store, and Japan Lube Petroleum, for copying the packaging of its product, KENNOL ULTIMA 20W60.

KENNOL Performance Oil claimed that its product's trademark 'Kennol' is registered in France and with the Intellectual Property Organisation (IPO) in Pakistan, and it has not authorized any other firm to use it in Pakistan. Therefore, the respondents, Kennol Petroleum, Dewan Store, and Japan Lube, were deceiving consumers by falsely claiming their products to be KENNOL Performance Oil's products.

The Commission’s enquiry revealed that the trademark belongs to KENNOL Performance Oil, and no one in Pakistan is authorized to use it. The enquiry also found that Kennol Petroleum, Dewan Stores, and Japan Lube were engaged in copycat packaging of KENNOL Performance Oil's product, which could deceive consumers and potentially harm the company's business interest. Both these actions are a prima facie violation of Section 10 of the Competition Act, 2010.

In light of these findings, the Commission issued Show Cause Notices to Kennol Petroleum, Dewan Stores, and Japan Lube, directing them to respond to the notices.



ENQUIRIES

Nestlé Pakistan Found Distributing False and Misleading Information about its Products

Parents Pakistan (SMC-Private) lodged a complaint against Nestlé Pakistan, alleging that the company was disseminating information about its products, Nido FortiGrow, Nido 3+, and Bunyad, through packaging, labelling, TV commercials, advertisements, and statements on its website and social media platforms, that was not supported by reliable scientific data. It was further alleged that Nestlé Pakistan's marketing campaign misled consumers into believing that the products were milk, which amounted to deceptive marketing practices.

During the Enquiry, it was established that Nestlé Pakistan's overall marketing campaign for its Nido products, particularly Nido FortiGrow, Nido 3+, and Nestlé (Nido) Bunyad, along with the technicality of different categories of milk and milk-based products, misled the public into believing that the products were milk. The Honourable Supreme Court had also observed in its order titled "Watan Party versus Government of Punjab, etc.," that the product was not natural milk.

Furthermore, Nestlé Pakistan portrayed these products as a better alternative to milk without any reasonable basis. The efficacy and necessity of these products compared to natural milk were still being studied and debated. Until a final opinion was endorsed by all relevant national and international organizations, any claims that implied the superiority of these formulae over milk for a child's health appeared to be unsubstantiated and hence, false, and misleading.

After analyzing the evidence gathered during the Enquiry, it was established that Nestlé Pakistan Limited had distributed false and misleading information about the character, method of production, properties, and quality of goods. This conduct was a prima facie violation of Section 10(1)(2)(b) of the Act. Additionally, Nestlé Pakistan was also found to be involved in false and misleading comparison of goods during the advertising process, which was a prima facie violation of Section 10(1)(2)(c) of the Act.

ENQUIRIES

Enquiry against Meezan Beverages for Alleged Trademark Infringement

PepsiCo, Inc. lodged a formal complaint against Meezan Beverages, alleging that the latter imitated the registered trademark and trade dress of its product "STING" without authorization. The Enquiry established that Meezan Beverages copied the logo, packaging, color scheme, and design of PepsiCo's product, potentially harming its business interests and misleading consumers.

Furthermore, the Enquiry found that Meezan Beverages had no authorization for such use. As per the Enquiry Committee's recommendations, a Show Cause Notice was issued to Meezan Beverages for prima facie fraudulent use of the complainant's trademark/trade dress, in violation of Section 10 of the Act.

ENQUIRIES

Reckitt Benckiser Pakistan Files Complaint Against Unilever Pakistan for False Claims in Marketing Campaign

Reckitt Benckiser Pakistan sent a formal complaint to the Commission alleging that Unilever Pakistan was making unjustified and baseless claims in its marketing campaign for "Lifebuoy Soap and Lifebuoy Hand wash".

The Commission's Enquiry Committee investigated the matter and found that Unilever Pakistan was making unsubstantiated claims such as, '100% guaranteed protection from germs', 'World's No.1 germ protection soap, 99.9% germ protection in 10 seconds,' and '10X better germs protection'.

Unilever Pakistan failed to substantiate the claims made in the advertisement, and the Enquiry Committee established that, by making these claims, Unilever Pakistan was, prima facie, disseminating false and misleading information as well as deceiving consumers. Furthermore, these claims were harming the business interests of the complainant and other competitors.

In response, the Commission served a Show Cause Notice to Unilever Pakistan on recommendations of the Enquiry Committee.



ENQUIRIES

OPPO Mobile Technologies Pakistan Found Guilty of False Advertising Claims

The Commission received complaints against OPPO Mobile Technologies Pakistan for its claim of being the No. 1 smartphone brand in Pakistan, without proper substantiation. The claim was made with a disclaimer that was not legible and was advertised on various social media platforms including Twitter, YouTube, and LinkedIn.

The Enquiry found that OPPO Mobile Technologies Pakistan had disseminated false and misleading information to the public and was unable to support its claim with tangible proof. As a result, the company was found to be in violation of Section 10(1) and Section 10(2)(a) and (b) of the Act.

However, OPPO Mobile Technologies Pakistan took corrective measures by removing the questioned advertisements from electronic, print, and social media platforms. Despite not operating the social media platform of 24 News HD, the company made an effort to remove the advertisement from the platform by writing a letter to the CEO of 24 News HD. The video was also removed by 24 News HD on March 10, 2021.

ENQUIRIES

Misleading Advertisement Campaign of ASF Housing Scheme Karachi

Upon receiving a complaint, the Commission initiated action against the Airport Security Force Foundation's (ASFF) advertisement campaign for its housing project, "ASF Housing Scheme Karachi." The complaint alleged that the advertisement did not disclose crucial information to make an informed decision about the project.

After conducting an Enquiry, the Commission found that the ASFF had misled consumers about the location of the housing project and failed to disclose essential information, such as the actual plot size, total payment, and approval status from relevant authorities. The Enquiry Committee concluded that such deceptive marketing practices not only deceive consumers but also potentially harm the business interests of competitors. Based on the findings, the Commission recommended a Show Cause Notice to ASFF for prima facie violation of Section 10 of the Act.

ENQUIRIES

Enquiry against Roots IVY International Schools Closed

The Commission conducted an enquiry against Roots IVY International Schools for alleged violation of Section 10 of the Act. It was observed that the Respondent was fraudulently using the registered trademark and logo of 'The Ivy League' in its trade name and promotional material, deceiving the general public by implying a connection between the two entities. Moreover, the Respondent was using other claims and terminologies such as 'IVY LEAGUE OF DREAMS' to promote their institution.

However, based on the explanation and documentary evidence provided by the Respondent, the Enquiry Committee concluded that the allegations against the Respondent were not established. There was no violation of Section 10(2)(d), 10(2)(b), or 10(2)(a) of the Act, and the institution operating in the USA, despite having a close business relationship, never expressed any concern about the use of the term IVY as part of the name.

Therefore, the Commission concluded that there was no fraudulent use of the term adopted as part of their company name running educational institution in Pakistan. In light of the plea taken by the Respondent and supporting documentary evidence submitted along with their written comments, the Enquiry was closed and consigned to record as no further action was warranted under the provisions of Section 10(2)(a)(b)(d) of the Act.

ENQUIRIES

Hyundai Nishat Motor issued Show Cause Notice over Deceptive Marketing

The Commission took notice of advertisements promoting the 'introductory price' of the Hyundai Tucson, which appeared in print media and various social media platforms. The advertisements featured a disclaimer stating that the price was only valid for a limited period. However, the disclaimer was significantly smaller in font size compared to the prominent 'introductory price' displayed.

The Commission also received complaints that the initial booking period for the Tucson at the 'introductory price' lasted for less than 24 hours, after which the price was raised by PKR 200,000. The company later announced that all units of Tucson at the introductory price were sold out, and the introductory price list was removed from its website, Facebook, and Instagram pages.

The Enquiry Report found the advertisements to be misleading and potentially deceiving to consumers due to the positioning of the disclaimer. It also concluded that the advertisement failed to provide clear information to consumers regarding the period for which the introductory prices would apply and the number of vehicles available at that price point. These actions prima facie contravene Section 10 of the Competition Act, 2010.

On enquiry's recommendations, the Commission issued a Show Cause Notice to Hyundai Nishat Motor, the company responsible for the advertisements.



Mergers, Acquisitions & Joint Ventures

CHAPTER 6



Sr#	Transaction	Transaction	Date Order / NOC Issued
1	Acquisition of 100% shareholding of M/s. Luna Pakistan Private Limited by M/s. Searle Company Limited	Acquisition	15/07/2020
2	Acquisition of 100% shareholding of M/s. Sinochem Group Co. Limited and M/s. China National Chemical Corporation Limited by a New Holding Company formed by State-owned Assets Supervision and Administration Commission of the State Council China	Acquisition	31/07/2019
3	Acquisition of 6.51% additional shares in M/s. Clariant AG by M/s. Saudi Basic Industries Corporation.	Acquisition	15/07/2020
4	Acquisition of 89.03% shareholding in M/s. JPL Holdings Pte. Ltd by M/s. JCM Power Europe B. V.	Acquisition	15/07/2020
5	Acquisition of additional 18.98% shareholding in M/s. Unity Food Limited by M/s. Unity Wilmar Agro Private Limited from Mr. Muhammad Farrukh, Mr. Safdar Sajjad and Ms. Fehmida Amin.	Acquisition	15/07/2020
6	Acquisition of 100% shareholding in M/s. Techcomp Scientific Limited by M/s. Hitachi High-Tech Corporation	Acquisition	15/09/2020
7	Acquisition of 12.02% shareholding in M/s. Pakistan Mortgage Refinance Company Limited by M/s. International Finance Corporation	Acquisition	21/10/2020
8	Acquisition of 8.57% shareholding in M/s. Security General Insurance Company Limited by M/s. Roomi Enterprises (Private) Limited	Acquisition	23/10/2020
9	Acquisition of 100% shareholding in M/s. Della Toffola S.P.A and M/s. DT Invest S.R.L by M/s. Investindustrial Advisors Limited.	Acquisition	03/11/2020
10	Acquisition of 25% shareholding in M/s. Fauji Akbar Portia Marine Terminals Limited by M/s. Cargill Pakistan Holdings Private Limited from M/s. Fauji Foundation	Acquisition	03/11/2020
9	Acquisition of 100% shareholding in M/s. Della Toffola S.P.A and M/s. DT Invest S.R.L by M/s. Investindustrial Advisors Limited.	Acquisition	03/11/2020
10	Acquisition of 25% shareholding in M/s. Fauji Akbar Portia Marine Terminals Limited by M/s. Cargill Pakistan Holdings Private Limited from M/s. Fauji Foundation	Acquisition	03/11/2020
11	Acquisition of 50.01% shareholding in M/s. Indus Power Limited by M/s. JCM Power Netherlands Holdings B. V. from M/s. Trismo Investments Limited.	Acquisition	17/11/2020
12	Merger of M/s. Ghani Automobile Industries Limited with and into M/s. Ghani Value Glass Limited	Merger	17/11/2020
13	Acquisition of 24% shareholding in M/s. Hascol Terminals Limited by M/s. Vitol Dubai Limited from M/s. Fossil Energy (Private) Limited	Acquisition	30/11/2020
14	Acquisition of 26% shareholding in M/s. Integrations Xperts (Pvt.) Limited by M/s. Shirazi Investments (Pvt.) Limited	Acquisition	30/11/2020
15	Acquisition of 10,450,000 shares in M/s. Infra Zamin (Pvt.) Ltd by M/s. Indus Guarantees (Pvt.) Ltd and M/s. Karandaaz Pakistan.	Acquisition	02/12/2020
16	Acquisition of 100% shareholding in M/s. AEG Enterprises (Private) Limited by Mr. Imran Anwer and Mr. Muhammad Sohail	Acquisition	18/12/2020
17	Acquisition of 100% shareholding in M/s. Varian Medical Systems, Inc by M/s. Siemens Healthineers Holding I GmBH	Acquisition	24/12/2020
18	Merger of M/s. Samba Financial Group with and into M/s. The National Commercial Bank	Merger	31/12/2020
19	Acquisition of 19.9% share capital of M/s. TPL Insurance Limited by M/s. DEG-Deutsche Investitions-und Entwicklungsgesellschaft mbh	Acquisition	05/01/2021
20	Acquisition of 80% shareholding in Zhenfa Pakistan New Energy Company Limited by M/s. Atlas Power Limited and M/s. Shirazi Investment (Private) Limited from M/s. Zhenfa New Energy Science and Technology Company Limited and M/s. Zhenfa Energy Group Company Limited	Acquisition	03/11/2020

Sr#	Transaction	Transaction	Date Order / NOC Issued
21	Acquisition of 100% shareholding in M/s. Agrow Limited by Mr. Naeem Akhtar and Mr. Qaisar Abbas from M/s. Agriculture Retail Limited	Acquisition	13/01/2021
22	Joint Venture between M/s. Orient Operating Company Private Limited and M/s. Trisoft Technology Private Limited by the name of M/s. IM Solar Private Limited	Joint Venture	18/01/2021
23	Acquisition of 75 million shares of M/s. Validus Engineering Private Limited by M/s. Elsewedy Transformers Pakistan Holding Limited from M/s. Allied Industries Hub Private Limited and M/s. SAAS Enterprises	Acquisition	19/01/2021
24	Merger of M/s. Babri Cotton Mills Limited with M/s. Janana De Malucho Textile Mills Limited	Merger	20/01/2021
25	Acquisition of 51% shareholding of M/s. Royal Airport Services (Private) Limited by M/s. Menzies Aviation Plc from M/s. SPARS (Private) Limited	Acquisition	26/01/2021
26	Acquisition of assets of M/s. Mosanto Company by M/s. Bayer Pharma AG and M.s/ Bayer Cropscience AG	Acquisition	08/02/2021
27	Acquisition of upto 35% shareholding in M/s. Foundation Wind Energy I Limited by M/s. Fauji Foundation from M/s. IIF Wind One Limited	Acquisition	17/02/2021
28	Acquisition of upto 25% shareholding in M/s. Foundation Wind Energy II Limited by M/s. Fauji Foundation from M/s. IIF Wind One Limited	Acquisition	17/02/2021
29	Subscription of 5,000,000 shares by M/s. IVY 2 Investments VCC in a newly formed SPV by M/s. PIL Holdings Pte. Limited.	Acquisition	23/02/2021
30	Acquisition of 67.1284% shareholding in M/s. Samin Textiles Limited by Mr. Haroon Ahmad Khan from Mr. Sarmad Khan, Ms. Mahwish Amin and Ms. Shehla Segal	Acquisition	24/02/2021
31	Joint Venture between M/s. Arif Habib Equity (Private) Limited, M/s. Liberty Mills Limited, M/s. Y.B Pakistan, M/s. Reliance Commodities (Private) Limited, M/s. Mari Petroleum Limited by the name of M/s. National Resources Private Limited	Joint Venture	25/02/2021
32	Joint Venture between M/s. Arif Habib Equity (Private) Limited, M/s. Liberty Mills Limited, M/s. Y.B Pakistan, M/s. Reliance Commodities (Private) Limited by the name of M/s. National Resources Private Limited (ex post facto)	Joint Venture	25/02/2021
33	Acquisition of 77.12% shareholding of M/s. BIPL Securities Limited by M/s. AKD Securities Limited from M/s. BankIslami Pakistan Limited	Acquisition	05/03/2021
34	Joint Venture between M/s. Robert Bosch GmbH and M/s. BASF SE	Joint Venture	10/03/2021
35	Acquisition of 59.2295% shareholding in M/s. Solis Energy Solutions (Private) Limited by M/s. Jahangir Siddiqui & Sons Limited	Acquisition	11/03/2021
36	Acquisition of 100% shareholding in M/s. TNB Power Daharki Limited by M/s. AsiaPak Investments Limited from M/s. Tenaga Nasional Berhard.	Acquisition	11/03/2021
37	Acquisition of shares in M/s. Sahar Brothers Private Limited by M/s. Insitor Impact Asia Fund PTE Ltd.	Acquisition	29/03/2021
38	Acquisition of 36% shareholding in M/s. Hac Agri Limited by Mr. Haroon Shafiq, Mr Muhammad Zeeshan, Mr Taimur Choudhry & Mr. Ehsan Choudhry from M/s. Karandaaz Pakistan	Acquisition	29/03/2021
39	Acquisition of 45% shareholding in M/s. Louis Dreyfus Company B.V by M/s. Apuleaf II Limited from M/s. Louis Dreyfus Commodities and Energy Holdings N.V.	Acquisition	06/04/2021
40	Acquisition of upto 10% shareholding in M/s. Planet N (Private) Limited by M/s. Pakistan Kuwait Investment Company (Private) Limited.	Acquisition	15/04/2021
41	Acquisition of upto 22.5% shareholding in M/s. International Brands Limited by M/s. Universal Ventures Private Limited	Acquisition	22/04/2021
42	Acquisition of 100% shareholding in M/s. BankIslami Modaraba Investments Limited by Mr. Atique Ahmad Khan and Mr. Aftab Ahmad from M/s. BankIslami Pakistan Limited.	Acquisition	29/04/2021

Sr#	Transaction	Transaction	Date Order / NOC Issued
43	Acquisition of certain assets of M/s. Sandoz AG by M/s. OBS AGP (Private) Limited	Acquisition	29/04/2021
44	Acquisition of certain assets of M/s. Novartis Pharma (Pakistan) Limited by M/s. OBS AGP (Private) Limited	Acquisition	30/04/2021
45	Acquisition of 51% shareholding in M/s. Trans World Associates (Private) Limited by M/s. Orastar Limited from M/s. Orascom Telecom Limited	Acquisition	19/05/2021
46	Joint Venture between M/s. Volkswagen AG and M/s. Rimac Automobili d.o.o.	Joint Venture	26/05/2021
47	Merger of M/s. Artistic Corporation (Private) Limited with and into M/s. Artistic Fabric and Garment Industries Limited and merger of certain assets & liabilities of M/s. Artistic Fabric and Garment Industries Limited with M/s. Artistic Fabric Mills (Private) Limited	Merger	02/06/2021
48	Joint Venture between M/s. Orient Operating Company Private Limited and M/s. PITCO Private Limited by the name of M/s. Shams Power Private Limited	Joint Venture	02/06/2021
49	Acquisition of upto 85.23% shareholding in M/s. United Distributors Pakistan Limited by Mr. Shahid Abdullah, Mr. Asad Abdullah, Mr. Ayaz Abdullah and Mrs. Aisha Abdullah.	Acquisition	07/06/2021
50	Acquisition of 11% shareholdng in M/s. NutriCo Pakistan by M/s. ICI Pakistan Limited	Acquisition	17/02/2021
51	Acquisition of 100% shareholding of E-Telequote Insurance, Inc by M/s. Primerica NewCo Inc. from M/s. Resource Group International Limited, M/s. Projects Sunshine Paid, LLC, M/s. ADIA Global LLC & Individuals.	Acquisition	14/06/2021
52	Acquisition of sole control of M/s. The Bountiful Company by M/s. Nestle S. A.	Acquisition	15/06/2021
53	Acquisition of 50% shareholding in M/s. Al-Dahra Group Sole Proprietorship LLC by M/s. Grainveta Limited from M/s. Baynunah Agriculture LLC	Acquisition	18/06/2021
54	Acquisition of approximately 17.85% shareholding in M/s. Pakistan International Container Terminal Limited by M/s. EuroAsia Terminal Private Limited, Mr. Bilal Shahid & Mr. Umer Shahid from M/s. Premier Mercantile Services Private Limited	Acquisition	10/03/2021
55	Joint Venture between M/s. CEVA Logistics Headoffice B.V. and Mr. Salman Sohail Yasin	Joint Venture	11/03/2021
56	Acquisition of 13.01% shareholding in M/s. BankIslami (Pakistan) Limited by M/s. Emirates NBD Bank (P.J.S.C.) from M/s. Dubai Bank	Acquisition	22/06/2021
57	Acquisition of 19% shareholding in M/s. Maxim Agri (Private) Limited by M/s. TBL Agro Ventures B.V. from M/s. Babar Ali Foundation	Acquisition	23/06/2021
58	Acquisition of 100% shareholding in M/s. Global Arts Limited by M/s. Chimera Education (Private) Limited from M/s. Treet Corporation Limited	Acquisition	28/06/2021
59	Acquisition of 15% shareholding in M/s. Oursun Pakistan Limited by M/s. Roomy Enterprises (Private) Limited from M/s. MCBFSL Trustee PNO Pakistan Fund I	Acquisition	28/06/2021
60	Acquisition of 36.66% shareholding in M/s. Sino Sindh Resources Private Limited by M/s. ProjectPower PAK Limited	Acquisition	30/06/2021

Reviewing Policy Frameworks

CHAPTER 7

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



Policy Recommendations for the Government of Punjab on Fixing Maximum Retail Price of Sugar

In April 2021, the Government of Punjab issued a circular setting the maximum retail price of sugar at PKR 85 per kilogram. However, the Commission, mandated to ensure the smooth functioning of markets, believed that this price ceiling may have unintended consequences. In this regard, the Commission issued a Policy Note under Section 29(b) of the Act, recommending that instead of fixing the sugar price, the Government should deregulate the sugar industry to promote free trade mechanisms. This would allow price signals to be effectively conveyed to all stakeholders, attracting investment, increasing competitiveness, and reducing distortions in local supply.

The Commission observed that since Punjab is the only province to set a price ceiling, the immediate effect could be that sugar moves to other provinces where no price ceiling is in place, commanding a higher market price. Furthermore, price control may encourage hoarding by suppliers or impulsive buying by consumers, leading to a shortage in the market and higher prices for consumers, particularly ahead of Ramadan. The promulgation of the Sugar (Supply-Chain Management) Order 2021 by the Punjab Government to prevent the hoarding of sugar by the mills is a step in the right direction.

Various factors such as economies of scale, labour, equipment, productivity, and access to crops vary between different mills. Therefore, imposing a maximum retail price could lead to some mills, which must purchase sugarcane at the minimum support price, not being able to break even. Additionally, the price of sugarcane is the major cost factor in production. Mills may be hesitant to buy sugarcane at the Government's minimum support price (MSP) and pressurise farmers to sell sugarcane below the MSP, forcing farmers to shift from cultivating sugarcane to other crops. This could lead to reduced domestic production and undesirable shortages in the market in the future, resulting in the need for importing sugar and paying rising import bills for a commodity that has sufficient land and infrastructure available in the country.

The Policy Note also highlights that price fixing, particularly at the time of Ramadan, is likely to benefit industrial consumers, who make up about 70% of the consumption, rather than the target poor population. Once such price fixing is lifted, prices may go up for the end consumers. Protecting the domestic sugar industry through tariffs and subsidies has not allowed Pakistan to develop the necessary capability to compete in the international market for sugar by-products, such as ethanol, for which demand is stronger. A more efficient agriculture policy, taking into consideration domestic and international exigencies, should be considered in line with the Federal Government's desire to achieve effective deregulation.

The Commission recommends focusing on Research and Development (R&D) to improve the yield and quality of sugarcane and make technological improvements in the processes at the mills to make the manufacturing process more efficient and cost productive. The Punjab Government may consider the viability of non-price interventions at the farm level, such as introducing a revenue-sharing policy between the millers and the farmers.
Price controls, whether at the farm level or further down the supply chain, are common among the major sugar-producing countries, such as Brazil, India, and Thailand. However, Brazil stopped setting the price of sugarcane in 1997 and has since seen higher domestic prices and a substantial surplus for ethanol production and exports. Thailand has a retail ceiling in place to protect consumers from upward price fluctuations, while India introduced the concept of Minimum Selling Price (MSP) of sugar in 2018 to enable sugar mills to clear payments to farmers for sugarcane.

The Policy Note concluded that implementing free trade policies for sugar would benefit consumers by reducing hoarding and over-pricing in the domestic market. Such measures would have a positive impact on the development of Pakistan's competitive sugar industry, leading to improved economic efficiency.



Policy Note Recommending Pro-Competitive Measures for the Wheat Sector

The COVID-19 pandemic had a significant impact on the price escalation of wheat grain and flour in the country from November 2019 to January 2020. Although the Federal Committee on Agriculture set a production target of 27.03 million metric tons for the year 2020, unseasonal rains and delayed harvesting operations caused localized damage to standing crops, resulting in national production of only 26.1 million metric tons. In June 2020, the government allowed the private sector to import wheat, which was previously the responsibility of the Trading Corporation of Pakistan.

To support the Federal government in adopting positive policy measures, the Commission recommended additional policy measures to enhance economic efficiency and eliminate distortions in the wheat sector. The Commission's Policy Note proposed important recommendations to address the issue of distortions that are leading to a shortage of the commodity and the provision of substandard wheat flour to consumers.

The Policy Note discussed at length the primary concerns leading to the nationwide wheat crisis. Major contributing factors include a lack of adequate testing mechanisms, monitoring and enforcing extraction rates, absence of labelling and variation in packaging size, lack of a level playing field for players in the value chain, and costly support policies and subsidies. The level of minimum support price for wheat also affects the quantum of subsidy the Federal and Provincial governments need to give to export any surplus stock. Domestic prices are not competitive with international prices of the commodity, and any wheat that cannot be sold in the international market has to be preserved, which results in wastage and spoilage every year.

The recommendations include concrete measures to ensure a level playing field by providing a fair share in the wheat quota to chakkis (grinding mills), which cater to 2/3rd of the total wheat flour supply to consumers. The provincial governments need to consider putting in place an effective and simple procedure for registration and quota allocation. The provincial governments may also consider enhancing the supply of wheat flour by limiting the production of flour to whole wheat only against the government-issued wheat at subsidized rates.

Other important recommendations include removing regulatory roadblocks to synergize quality control measures, ensuring adequate testing for moisture content, enforcing adequate labelling and proper disclosure in packaging, withdrawing support price regulation, optimizing government intervention and reforming the supply mechanism, streamlining the export policy and improving export potential, and putting in place foolproof methods that can ensure that the subsidy provided by the government reaches its intended target, i.e., the ordinary end consumer.

Undertaking Research Studies

CHAPTER 8

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



Assessment of Supply Chain from Farm Gate to Retail (Pilot study - Tomato & Onion)

Agriculture is the backbone of Pakistan's economy, offering employment opportunities to the majority of its population. However, there were concerns about the erratic price increases of essential commodities, prompting the National Price Monitoring Committee (NPMC) to take note of the situation. Considering the NPMC's concerns and given its mandate to review the policy frameworks, the Commission conducted a pilot study on the supply chain of tomatoes and onions. The study aimed to identify supply chain distortions, pricing mechanisms, potential anti-competitive practices, and other factors influencing prices throughout the supply chain.

The study revealed significant price variations from farm gate to retail across all study districts, with actual retail prices significantly higher than the prices obtained after adding overheads, transportation, and profit margins to the auction price, as per the provincial government's assumptions. The major factors that influence availability and pricing include supply gaps, perishability and shorter shelf life, lack of grading and packaging, manipulation by commission agents, level of enforcement of price regulations, and inadequate awareness about prices and availability.

Additionally, the study found that inadequate availability of quality seeds and other inputs reduces yield, while non-institutional financing by commission agents exploits farmers and acts as a barrier to entry into other markets. High post-harvest losses and the absence of grading, packaging, and branding regulations also limit the farmers' and market players' ability to compete.

The commission agents play a significant role in controlling the flow of commodities from one market to another, acting as investors, non-institutional financiers, auctioneers, or wholesalers. Retailers expressed concerns about the pricing mechanism established by provincial governments, which may be one of the reasons behind the wedge between actual retail prices and those set by the district administration.

To address these issues, the study recommends better coordination between federal and provincial governments to prevent price manipulation through the timely sharing of data and increased awareness among market players about the availability and prices of produce. In the medium term, provincial governments may consider training farmers on harvesting, grading, and packaging, and providing easy and interest-free loans to enhance their ability to compete in different markets.

The expansion of the kitchen gardening club and the introduction of technological advancements in crop reporting may also help in reducing supply chain disruptions. Additionally, piloting the removal of price controls on one commodity, such as tomato, could foster competition and attract private sector investment. Furthermore, ensuring the availability of quality seeds compatible with Pakistan's climatic conditions, reducing post-harvest losses through private sector investment in cold storage facilities and new generation packing materials, and improving the value addition and processing industry of tomato and onion can significantly aid in reducing post-harvest losses and help deal with glut and stress situations in the country.

In conclusion, the pilot study reveals that several factors are disrupting the supply chain, distorting competition, exploiting farmers, and adding inefficiencies to the economy. However, by implementing the recommendations suggested by the NPMC, Pakistan can overcome these issues and foster a competitive and efficient agriculture sector.



The Study revealed significant price variations from farm gate to retail across all study districts, with actual retail prices significantly higher than the prices obtained after adding overheads, transportation, and profit margins to the auction price, as per the provincial government's assumptions.



Competition Assessment Study of LPG Sector in Pakistan (Draft Study)

The energy sector in Pakistan comprises various sources such as oil, natural gas, LNG, coal, electricity, and LPG, which is commonly known as the "poor man's fuel." LPG is mainly used in the domestic and commercial sectors but is also gradually growing in the industrial sector. In light of the Commission's mandate to conduct studies to promote competition in all spheres of commercial and economic activities under Section 28(1)(b) of the Act, this study was conducted to evaluate and examine the LPG sector in Pakistan, including the regulatory framework, pricing mechanism, market structure, level of competition, and likelihood of any anti-competitive practices such as abuse of dominance, cartelization or bid rigging in the sector.

The study identifies various barriers to entry and expansion that reduce and distort competition in the LPG sector. The regulatory barriers stem from contradictory clauses in the LPG Policy, 2016, such as clauses 3.4.3 and 3.5.1, which create uncertainty regarding LPG disposal mechanisms and indigenous/imported LPG supply. Additionally, discriminatory pricing exists between regulated pricing of indigenous LPG and deregulated imported LPG prices, with imported LPG having lower taxation and petroleum levy exemption, which incentivizes imports.

Furthermore, the study recommends several measures to promote a more competitive and efficient LPG sector. Amendments to the LPG Policy, 2016, and the Public Procurement Rules, 2004, are necessary to ensure a check on import quantities by private sectors and ease of doing business for SOEs. A more competitive pricing framework for both indigenous and imported LPG should also be established to create a level playing field for all players in the sector. LPG marketing and distribution margins should be rationalized and made market-based, comparable with other petroleum products. This will result in a more competitive LPG price, where LPG can actually become a 'poor man's fuel'.

The study also recommends monitoring of land imports to prohibit the import of substandard LPG and to establish quality labs for testing LPG through land routes. Stringent qualification criteria for awarding LPG marketing licenses should also be implemented to ensure compliance with industry standards. Prohibitions and strict penalties for illegal activities such as cross-filling and decanting, and monitoring of LPG dealers by OGRA, should also be put in place. Finally, the study proposes an LPG subsidy program for poor domestic households to uplift them out of poverty and improve their standard of living, in line with the Sustainable Development Goals (SDGs) of the Government. The implementation of these recommendations will create a more competitive and efficient LPG sector, benefiting both the industry and the end consumer.

The study also recommends monitoring of land imports to prohibit the import of substandard LPG and to establish quality labs for testing LPG through land routes. Stringent qualification criteria for awarding LPG marketing licenses should also be implemented to ensure compliance with industry standards.



Advocating The Law

CHAPTER 9

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



22nd Competition Consultative Group Meeting Held to Discusses Enforcement Actions & Policy Initiatives

After a six-year hiatus, the Commission held its 22nd Competition Consultative Group (CCG) meeting on June 24, 2021. The CCG is an informal think tank established by the Commission in 2008 to engage with stakeholders on competition-related matters.

The meeting was chaired by Ms. Rahat Kaunain Hassan, and the Commission's Members, Ms. Shaista Bano, Ms. Bushra Naz Malik, Mr. Mujtaba Ahmad Lodhi, and Director Generals were also present. Several notable participants attending the meeting, including Mr. Tariq Iqbal Khan, Chairman of the Audit Oversight Board, Ms. Birgitt Lamm, Country Head of Friedrich Naumann Foundation Pakistan, Sardar Yasir Ilyas, President of the Islamabad Chamber of Commerce and Industry, Shahraiz Ashraf Malik, Vice President of the Rawalpindi Chamber of Commerce and Industry, Mr. Abdul Aleem, General Secretary of OICCI, Mr. Rifat Parvez, Additional Secretary/Executive Director General of the Board of Investment, Mr. Sajjeed Aslam, Head of ACCA Pakistan, and senior officials from SECP, PPRA, NEPRA, IPO, PTA, IFPRI, IDE, Pakistan Microfinance Network, and SDPI.

During the meeting, the participants were updated on the Commission's initiatives, performance, and strategic vision. A presentation on the Commission's draft report on the Small and Medium Enterprises (SME) sector was also given, exploring ways to improve the competitiveness and economic efficiency of SMEs by providing recommendations to the draft SME Policy Framework. Furthermore, the draft report titled "Promoting Economic Efficiency of Small and Medium Enterprises (SMEs) in Pakistan" compared the 2007 SME Policy with the updated Draft SME Policy 2020 and offered recommendations under the Commission's mandate to further improve the draft SME Policy Framework.

Mr. Hashim Raza, CEO of SMEDA, joined the meeting online and praised the initiative, offering his full support to the Commission. Mr. Rifat Parvez, Additional Secretary/Executive Director General of BOI, acknowledged the Commission's vital role in establishing an enabling environment for foreign direct investment in Pakistan. The OICCI General Secretary, Mr. Abdul Aleem, assured the Commission of OICCI's full cooperation in establishing a competitive business environment.

The Chairperson briefed the participants about the Commission's strategic vision, highlighting enforcement and policy intervention as the top priority. The other key areas of focus include essential commodities to remove anti-competitive distortions in the market, public procurement to reduce collusive practices and promote fair competition, concession agreements to regulate exclusivity, digital markets and e-commerce for consumer protection, improving the economic efficiency of SMEs and SOEs, collaborations and partnerships to provide guidelines, improving compliance by strengthening the Leniency Framework, and knowledge-based advocacy.

The Chairperson further shared that the Commission has initiated the process of hiring sectoral specialists in around twelve sectors, including automobile, cement, energy (electric power and renewable energy), cooking oil, sugar, wheat, banking, pharmaceutical, poultry, education, road construction, and steel. The Commission also plans to develop and declare e-commerce policy guidelines to educate consumers on electronic marketplaces and encourage fair trade practices to address the potential conflict of abuse and deceptive marketing practices in the e-commerce domain.

During the meeting, it was also reported that between July 2020 and June 2021, the Commission completed 20 inquiries, initiated 21 new ones, conducted 12 searches and inspections, issued 120 show-cause notices, held hearings for 80 sugar mills in the sugar cartelization case, and passed four orders. Additionally, during the same period, the Commission issued two policy notes to the government regarding the sugar and wheat sectors, and processed 49 mergers and acquisitions, as well as 40 exemption applications.





MoU signed with Intellectual Property Organisation to Enhance Enforcement Capabilities



In February 2021, the Commission signed a Memorandum of Understanding (MoU) with the Intellectual Property Organization of Pakistan (IPO) aimed at enhancing the enforcement capabilities of both agencies in tackling violations of competition law and intellectual property rights.

The signing ceremony, held at the CCP's office in Islamabad, was attended by the CCP Chairperson, Ms. Rahat Kaunain Hassan, the IPO Chairman, Mr. Mujeeb Ahmed Khan, as well as senior officials from both agencies. The MoU aims to foster collaboration between the CCP and IPO in areas such as advocacy, research, capacity building, awareness and outreach programs. This will allow the agencies to exchange information on pertinent issues and consult on matters relating to their statutory roles.

The MoU also covers the training of staff from both agencies to enhance their respective mandates and seeks to develop and strengthen partnerships with other organizations to build capacity for both parties.

The CCP is responsible for safeguarding and promoting competition in Pakistan's economy by curbing anti-competitive practices, including deceptive marketing practices. On the other hand, the IPO is responsible for managing intellectual property rights through copyright, trademarks, patents, and other intellectual property regulations.

The MoU underscores the longstanding partnership between the CCP and IPO, leveraging each agency's comparative advantage to promote fair business practices in the economy.



CCP and SDPI Partner to Analyze Policy Actions Causing Economic Distortions and Combat Anti-Competitive Practices

The Commission signed a Memorandum of Understanding (MoU) with the Sustainable Development Policy Institute (SDPI) to strengthen the analysis of policy actions that lead to distortions in the economy and combat anti-competitive practices.

The MoU was signed by CCP Chairperson, Ms. Rahat Kaunain Hassan, and SDPI Executive Director, Abid Qaiyum Suleri, at a ceremony held at the CCP's Head Office. Members of the CCP, Ms. Shaista Bano and Mujtaba Ahmad Lodhi, and senior officials from both sides also attended the ceremony.

The MoU aims to establish a strategic partnership between the two institutions, facilitating the sharing of information on matters of mutual benefit relating to their respective mandates. SDPI, ranked as the top policy research think tank in Pakistan, conducts research activities that are relevant to the CCP's work.

The CCP is aware of the need to identify regulations that restrict economic activities and distort competitive forces. Through this collaboration with SDPI, the CCP aims to identify barriers to market efficiencies and distortionary policy designs.

The MoU outlines the collaborative efforts of both institutions, including launching new research on economic priority areas, conducting regulatory impact analyses, policy outreach, and capacity-building activities.

CCP marks World Competition Day with a focus on SMEs



On December 5, 1980, the United Nations adopted a set of principles on competition that aimed to promote fair competition and protect consumers. To commemorate this event, the International Network of Civil Society Organization on Competition (INCSOC) proposed the first World Competition Day in 2010. Since then, the world's competition community has celebrated the day every year by organizing events, issuing statements, and taking other outreach measures to support consumers and promote fair play in the market.

This year's international theme was "Competition Policy and Access to Healthcare." However, the Commission decided to dedicate the day to Small and Medium Enterprises (SMEs) with the theme, "Enhancing Economic Efficiency of SMEs."

The CCP is committed to strengthening and supporting SMEs through collaborative efforts and policy recommendations to help develop the SME sector of Pakistan by ensuring SMEs have access to markets. To commemorate the day, the CCP designed a special message for its official Twitter account and website.

The competition law of Pakistan is a pro-business, pro-growth statute that aims to create a level playing field by eradicating market distortions and eliminating entry barriers. By promoting competition, businesses are encouraged to continuously improve the quality, durability, service, and price of their products and services. This fosters innovation, enhances the economic efficiency of businesses, and enables small businesses to compete and grow.

Overall, the CCP's dedication to World Competition Day for SMEs highlights the importance of promoting fair competition and supporting small businesses, which are crucial for the economic growth and development of Pakistan.

Virtual Meeting with the Officials of OICCI

On 13 August 2020, a virtual meeting was held between the Commission and the officials of the Overseas Investors Chamber of Commerce and Industry (OICCI). The meeting was attended by CCP Chairperson Ms. Rahat Kaunain Hassan, Member Mergers & Acquisitions and International Affairs Mr. Mujtaba Ahmad Lodhi, and Director General of Competition Policy Mr. Ahmed Qadir, as well as OICCI Secretary General Mr. Abdul Aleem and Deputy General Secretary Mr. Moeen Mohajir.

During the meeting, OICCI officials shared the results of their Business Confidence Index (BCI) Survey 2019, which showed the negative effects of the Covid-19 pandemic on the overall Business Confidence Score (BCS). They also provided an overview of the process behind the BCI Survey and how the reports were compiled.

The meeting also provided an opportunity to discuss matters of mutual interest, including the importance of competition compliance and advocacy initiatives. The CCP and OICCI agreed to work together to educate stakeholders on the significance of competition compliance.

The OICCI is a non-profit organization that represents the collective interests of foreign investors in Pakistan. The organization provides a platform for its members to interact with government officials and policymakers, as well as engage in advocacy efforts to promote a conducive business environment in the country.

The CCP, Pakistan's premier competition regulator, is responsible for ensuring free and fair competition in all sectors of the economy. By collaborating with organizations like the OICCI, the CCP can better fulfil its mission of promoting competition and economic growth in Pakistan.



Competition Compliance Workshop with Diamond Paints Management: Insights and Discussions

The Commission conducted an online workshop on "Guidance on Competition Compliance" with the senior management of Diamond Paints. The session was attended by CEO Mr. Shoaib Ahmed, Ms. Sana Ahmed, Director Marketing, Huzaifa Ahmed, Director Operations, Khuzaima Ahmed, Director Sales, Irfan Hassan, CFO, Irfan Yousaf, Manager Marketing, and Azam Niaz, Manager IT.

The Commission's Member Ms. Bushra Naz Malik opened the session by highlighting that the "Guidance on Competition Compliance" is a comprehensive guide that explains the do's and don'ts of competition law in an easy-to-understand way. She added that the guidance offers a practical voluntary competition compliance program that can help businesses and other stakeholders promote a culture of compliance and reduce their risk of being involved in competition law violations.

A presentation was given on the Competition Act, 2010, the Commission's role and functions. Mr. Shoaib Ahmed expressed gratitude to the Commission for launching the GCC and for raising awareness among businesses. The session also included a Q&A session, during which the participants actively engaged in the discussion and asked several questions.

Webinar on Competition Compliance with Indus Motor Company

The Commission conducted a webinar with the senior management of Indus Motor Company (IMC) on the Guidance on Competition Compliance (GCC) on 25th January 2022. The session was attended by Syed Omar, General Manager Marketing, Ali Asghar Damani, General Manager Aftersales, Anam Fatima Khan, Head of Legal Affairs, Salman Shaikh, Senior Manager Legal, and Babar Salem, Head of Corporate Affairs from Indus Motor Company. The webinar was focused on providing awareness about competition compliance and the substantive provisions of the Act.

During the session, the CCP's representatives delivered a presentation on the importance of competition law compliance and the role of the Commission in promoting fair competition in the market. Babar Salem, Head Corporate Affairs at IMC, appreciated the Commission's efforts to raise awareness about competition compliance among corporate entities. He stated that the compliance program of the Commission was quite helpful for the corporate sector.

The session was interactive, and the participants engaged in a Q&A session with the CCP representatives to clarify any queries they had about competition law and compliance. Overall, the session was fruitful in creating awareness about the importance of competition compliance and strengthening the relationship between the Commission and IMC.

The Guidance booklet helps businesses in minimizing the risk of their involvement in competition law infringements by sensitizing their employees about the law.



CCP Celebrates Women's Contributions on International Women's Day 2021





Celebrating International Women's Day 2021, the Commission organized a series of events from March 8 to 10 at its headquarters in Islamabad to highlight the contributions of women. The three-day event included inspirational speeches by successful women from various fields, candid discussions between female employees and Commission members, and a documentary showcasing the role of women in the Commission's history. In a candid session with the Chairperson, female officers discussed their experiences in the Commission and the role of women in the workplace. The Chairperson launched an in-house documentary titled "Achieving an Equal Future," which highlighted the contributions of women in the Commission since its beginning.

On March 9, the Commission invited Ms. Batool Asadi, the first female Assistant Commissioner from Balochistan, to share her experiences. Ms. Asadi spoke about her challenges as the first female Assistant Commissioner of Quetta, Balochistan, and becoming a beacon of hope for the younger generation.

On the third day, three eminent women shared their experiences and success stories. Ms. Shahnaz Wazir Ali, the recipient of Sitara-e-Imtiaz, spoke about her extensive experience in civil society and government and emphasized the clarity of vision and the determination to reach one's goals. Ms. Sadia Khan, the first female Commissioner of the Securities and Exchange Commission of Pakistan (SECP), highlighted the importance of perseverance, professionalism, and passion in achieving success and emphasized the need for more female representation in corporate governance. Ms. Maheen Rahman, the youngest CEO of an asset management company in Pakistan, emphasized the need for women to be in policymaking and leadership roles.

In her concluding remarks, the Chairperson emphasized the importance of women exercising their choice and choosing to challenge the status quo to bring about change and progress. She also stressed the importance of acknowledging, appreciating, and expressing gratitude to those who help bring about change and create an enabling environment.

Overall, the event aimed to celebrate the contributions of women, inspire and empower female employees, and promote gender equality and diversity in the workplace.



'From status quo to change and progress, it lies within our power to opt and choose. Women must exercise their choice and choose to challenge all that is not acceptable'.

- CCP Chairperson

Orientation Sessions for Interns

The Advocacy Department organized an orientation session for interns working in various departments of the Commission. The Registrar Syed Umair Javed and DG Advocacy Mr. Asfandyar Khattak briefed the participants about the Commission's core functions, salient features of the Competition Act, 2010, and the Commission's major achievements and contributions since its inception. The participants shared their experiences in the respective areas



The interns working in different departments of CCP, at the orientation session organised by the Advocacy Department



Mr. Hashim Raza, CEO of SMEDA, called on the Chairperson Ms. Rahat Kaunain Hassan and discussed pertinent issues in the SME sector. CCP can play a role under its mandate through policy recommendations to strengthen and support SMEs.



Syed Asghar Abbas Naqvi, Regional Head - Islamabad, PSX, called on the Chairperson Ms. Rahat Kaunain Hassan

Members of Council of Economic & Energy Journalists (CEEJ) Visit CCP



The office-bearers of the Council of the Economic and Energy Journalists (CEEJ), Karachi, visited CCP. The Chairperson Ms Rahat Kaunain Hassan briefed them on the CCP's work and extended her appreciation to the print and electronic media for highlighting competition issues.

Office Of International & External Affairs

CHAPTER 10



KOICA Fellowship Program Enhances Competition Law Enforcement in Pakistan Through Virtual Training



The Korea International Cooperation Agency (KOICA) organized a virtual fellowship program in 2020 due to the global pandemic, intending to share Korea's experience in competition law and policy with Pakistan. A total of 21 participants from various departments of the Commission attended the one-week program, which focused on improving the field application of competition law enforcement in areas of antitrust and merger investigation.

To ensure continuity in the capacity building despite the shift to virtual learning, KOICA provided a wide range of online learning materials, along with guidelines to design, operate, and evaluate online training courses. Technical sessions were conducted by senior officials of the Korea Fair Trade Commission (KFTC), covering topics on enforcement, advocacy, consumer policy in Korea, the Think Fair system of KFTC, the compliance program, and economic analysis in the research and merger review process.

The participants also gave a detailed presentation on Pakistan's competition regime, which was highly appreciated by the trainers. The program culminated with participants submitting a country report to KOICA and KFTC officials, who provided solutions to identified problems and issues.

Through this fellowship program, the Commission was able to enforce effective competition law and policy suited to their development needs and economic situation. The Commission acknowledged and thanked the Korean experts for the successful program and proposed to continue capacity-building training in the future.



Competition and Markets Authority (CMA), UK Conducts Sessions on Cartel Investigations with Commission

The Commission collaborated with the Competition and Markets Authority (CMA), UK, after several years, to conduct a series of sessions on "Generating Case Leads and Planning Cartel Investigations". The sessions, hosted by CMA's team of experts, were held on February 2nd and 9th, 2021, at the Commission's premises. The CMA team included Mr. Alex Schofield, Ms. Eva Nickel, and Gary Bracken.

Around 25-30 officers from the Commission, primarily from Cartels & Trade Abuse and Legal departments, participated in the sessions. The first session focused on "Case Leads: Leniency Application or Ex Officio – Carrots and Sticks," covering the UK Cartel Regime and Leniency Program, Stages of a CMA Leniency Application in Practice, and Ex-Officio Investigations and Campaigns. The session also highlighted the challenges of investigating cartels, essential ingredients for an effective leniency policy, and the UK cartel regime and leniency programme, including the procedure for granting leniency and ex officio investigations.

The second session, "Planning Cartel Investigations," discussed "Issues in Delivering Effective Enforcement Outcomes," "UK Practice in Planning Cartel Investigations," and "Effective Methods of Delivering Inspections and Conducting Interviews." The Commission acknowledged CMA's efforts in enhancing collaboration and building cooperation between the two agencies.

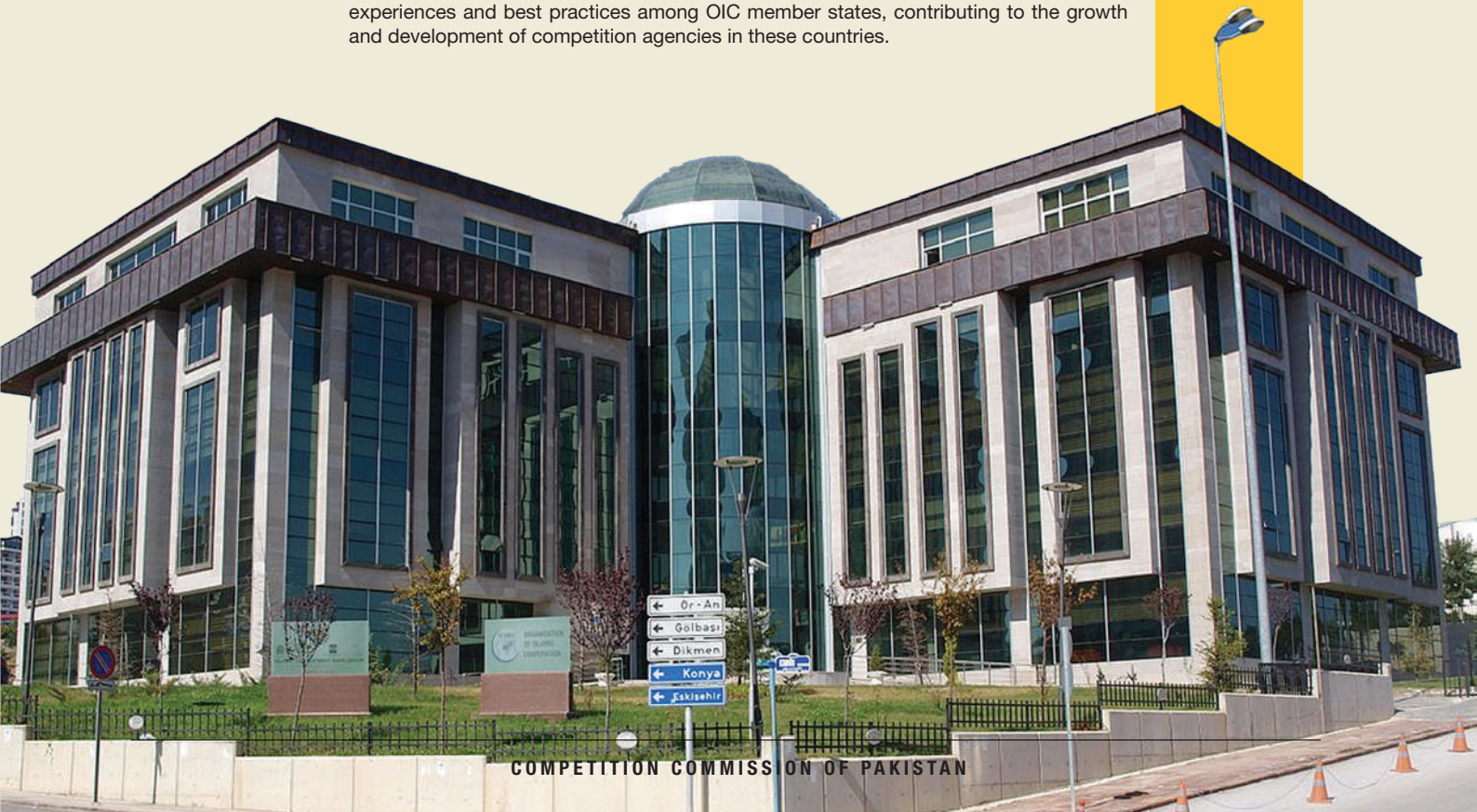
SESRIC Workshop on Competition and Organizational Structure for OIC Member States

In April 2021, the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC), in collaboration with the Turkish Competition Authority, conducted a virtual workshop for the Organization of Islamic Cooperation (OIC) member states. The workshop, titled "Competition vs. Regulation & the Appropriate Organizational Structure of a Competition Agency", took place on the 6th and 7th of April 2021 and was attended by 31 participants from various departments of the Commission.

The workshop aimed to discuss the organizational structure of all the competition agencies of OIC member states, which included representatives from Pakistan, Tunisia, Burkina Faso, Malaysia, Indonesia, Cameroon, Gambia, Uzbekistan, and Kazakhstan. Various case studies from each country were presented during the workshop to discuss the emerging challenges to competition globally. The participants also discussed balancing enforcement with advocacy through real-time experiences since 2007, the role of media and judiciary in strengthening competition, and how to engage and communicate with stakeholders.

The workshop also focused on launching modules on competition alongside economics and law through academic linkages and forming linkages with sector regulators and national think tanks. From Pakistan, Mr. Ahmed Qadir, DG Competition Policy, presented competition law, challenges, and the use of media and technology to enhance searches. The workshop had an open discussion forum that allowed participants to ask questions directly and have discussions with each other, encouraging individual participation and turning out to be quite informative.

The session concluded with closing remarks from Ms. Onur Calgar, the co-host from SESRIC, who thanked all the speakers and participants for attending and contributing to their country experiences. The workshop successfully provided a platform for sharing experiences and best practices among OIC member states, contributing to the growth and development of competition agencies in these countries.



Webinars/Training Programs
(July 2020-June 2021)

The past year has seen a significant increase in webinars and training programs related to competition law and policy. From September 2020 to June 2021, various organizations and agencies around the world organized virtual events to discuss different aspects of competition law and policy. These events provided an opportunity for competition experts, regulators, policymakers, and other stakeholders to exchange ideas and share experiences. This list includes some of the webinars and training programs that were held during this period.

i. ICN merger working group webinar on 'Sound Decision Making' - 10th September, 2020

ii. 'Strengthening the Competition Regime in Pakistan' virtual capacity building program by Korea International Cooperation Agency (KOICA) & Korea Fair Trade Commission (KFTC) - 23rd to 29th September, 2020.

iii. ICN cartel working group webinar on 'Horizontal Agreements Sustainability in a world on fire' - 6th October, 2020

iv. ICN agency effectiveness working group webinar on 'Enforcement Priorities in Actions: Agency Effectiveness Perspective' - 13th October, 2020

v. ICN webinar on 'Competition Agency Procedures' - 20th October, 2020

vi. ICN webinar on 'Procedural Infringements of Merger Control Proceedings' - 23rd October, 2020

vii. ICN Virtual Annual Conference - 10th November, 2020

viii. OECD Global Forum for Competition - 10th December, 2020

ix. ICN webinar on 'How to detect and assess bidding Cartels' - 20th January, 2021

x. Competition and Markets Authority (CMA),UK interactive session on 'Generating Case Leads Leniency Application or ex Officio – Carrots and Sticks' - 2nd February, 2021

xi. UNCTAD working group webinar on 'Cross Border Cartels' - 4th February, 2021

xii. CMA,UK interactive session on 'Planning Cartel Investigation Techniques' - 9th February, 2021

xiii. ICN CWG webinar on 'Hub and Spoke Cartel Cases' - 24th February, 2021

xiv. Advocacy working group webinar on 'Competition Compliance' - 25th February, 2021

xv. ICN agency effectiveness working group webinar on 'Digitalization, Innovation and Agency Effectiveness'-2nd March, 2021

xvi. 20th International Conference by Bundeskartellamt, Germany - 4th March, 2021

xvii. ICN AEWG webinar on 'Market Studies: Economist's Perspective' - 16th March, 2021

xviii. ICN MWG workshop - heads of agency webinar on 'Merger Remedies' - 30th March, 2021

xix. Statistical Economic and Social Research and Training Centre for Islamic Countries (SESRIC) workshop on 'Competition vs. Regulation and the Appropriate Organizational Structure of a Competition Agency' - 15th April, 2021

xx. Japan Fair Trade Commission (JFTC) webinar on 'Competition Law Enforcement and Competition Regulation: The Digital Challenge' - 18th June, 2021



Financial Statements

CHAPTER 11



YOUSUF ADIL
PACE ALIGNED ...

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COMPETITION COMMISSION OF PAKISTAN

Opinion

We have audited the financial statements of Competition Commission of Pakistan (the Commission), which comprise the statement of financial position as at June 30, 2021 and the Income and Expenditure account, statement of comprehensive income, the statement of changes in fund and the statement of cash flow for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respect, the financial position of the Commission as at June 30, 2021 and of its financial performance and its cash flows for the year then ended in accordance with approved accounting and Financial Reporting Standards for Small and medium Sized Entities (IFRS for SMEs) issued by International Accounting Standard board (IASB) as adopted by Institute of Chartered Accountants of Pakistan (ICAP).

Basis for Opinion

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

Responsibilities of Management of the Commission for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

COMPETITION COMMISSION OF PAKISTAN
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021	2020
ASSETS		----Rupees----	
NON CURRENT ASSETS			
Property and equipment	4	**50,232,740**	51,553,109
Long term loans, advances and deposits	5	**69,007,929**	62,125,832
Deffered Taxation	6	**193,861,244**	-
		313,101,913	113,678,941
CURRENT ASSETS			
Advances, prepayments and other receivables	7	**154,892,289**	142,919,003
Short term investments	8	**470,135,384**	326,807,973
Cash and bank balances	9	**154,360,051**	51,107,024
		779,387,724	520,834,000
TOTAL ASSETS		**1,092,489,637**	634,512,941
FUND AND LIABILITIES			
NON CURRENT LIABILITIES			
Pension Liability	10	**474,553,626**	428,094,118
Leave Encashment	11	**43,262,875**	38,152,849
Leave Perpatutiory to Retirement	12	**1,414,409**	1,582,061
Gratuity	13	**163,169,903**	140,341,131
		682,400,813	608,170,159
CURRENT LIABILITIES			
Income tax payable	14	**39,489,857**	11,734,071
Accrued and other liabilities	15	**11,844,375**	23,593,082
		51,334,232	35,327,153
TOTAL LIABILITIES		**733,735,045**	643,497,312
NET ASSETS		**358,754,592**	(8,984,371)
REPRESENTED BY			
Fund account			
Accumulated Surplus		**358,754,592**	(8,984,371)
		358,754,592	(8,984,371)
CONTINGENCIES AND COMMITMENTS	16		

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHAIRMAN **SENIOR DIRECTOR (FINANCE)**

COMPETITION COMMISSION OF PAKISTAN
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021	2020
		----Rupees----	
Fee Income	17	**136,810,601**	119,585,350
Grant and Other Receipts	19	**649,290,330**	290,000,000
Other income	20	**17,385,151**	33,247,495
Total income		**803,486,082**	409,585,350
Operating costs	18	**(540,039,172)**	(520,627,048)
Surplus / (Deficit) before taxation		**263,446,910**	(77,794,203)
Provision for tax	21	**131,158,093**	(8,187,154)
Surplus / (Deficit) after taxation		**394,605,003**	(85,981,357)

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHAIRMAN **SENIOR DIRECTOR (FINANCE)**

COMPETITION COMMISSION OF PAKISTAN
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021	2020
		----Rupees----	
Surplus / (Deficit) after taxation		**394,605,003**	(85,981,357)
Other comprehensive income:			
Loss on remeasurement of pension fund	10	**(37,839,493)**	41,542,657
Related deferred tax impact	6.3	**10,973,453**	-
Total comprehensive (loss) / income for the year		**367,738,963**	(44,438,700)

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHAIRMAN **SENIOR DIRECTOR (FINANCE)**

COMPETITION COMMISSION OF PAKISTAN
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED JUNE 30, 2021

Description	Reserves ----Rupees----
Balance as at 1st July, 2019	35,454,329
Income for the year	(85,981,357)
Other comprehensive loss for the year	41,542,657
Balance as at June 30, 2020	(8,984,371)
Balance as at July 01, 2020	**(8,984,371)**
Income for the year	**394,605,003**
Other comprehensive loss for the year-net of tax	**(26,866,040)**
Balance as at June 30, 2021	**358,754,592**

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHAIRMAN **SENIOR DIRECTOR (FINANCE)**

COMPETITION COMMISSION OF PAKISTAN
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021	2020
		-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus / (Deficit) before taxation		**263,446,910**	(77,794,203)
Adjustments for non-cash items:			
Depreciation	4	**5,020,147**	5,730,876
Profit on sale of fixed assets	20	**(92,487)**	(245,266)
Provision for gratuity	13	**29,843,380**	31,527,432
Provision for leave encashment	11	**6,215,440**	5,720,504
Provision for pension	10	**41,928,931**	63,113,565
Profit before working capital changes		**346,362,321**	28,052,908
Changes in working capital:			
(Increase) / Decrease in Advances, prepayments and other receivables		**(11,973,286)**	9,986,011
Increase / (Decrease) in accrued and other liabilities		**(11,748,707)**	13,865,830
		(23,721,993)	23,851,841
Payments from pension Liability	10	**(33,308,916)**	(32,244,579)
Payment of gratuity	13	**(7,014,608)**	(9,437,103)
Payment of leave encashment	11	**(1,105,414)**	(842,938)
Payment of Leave Perpatutiory to Retirement	12	**(167,652)**	-
Income tax paid/adjusted	14	**(23,973,912)**	(7,423,030)
Net cash generated from operating activities		**257,069,826**	1,957,099
CASH FLOW FROM INVESTING ACTIVITIES			
Increase in long term loans and advances		**(6,882,097)**	(4,699,609)
Increase in short term investments		**(143,327,411)**	35,799,739
Addition in fixed assets		**(3,838,100)**	(1,494,008)
Proceeds from sale of fixed assets		**230,809**	311,500
Net cash (used in) / generated from investing activities		**(153,816,799)**	29,917,622
NET CASH FLOW FROM FINANCING ACTIVITIES		**-**	-
Increase in cash and cash equivalents during the year		**103,253,027**	31,874,721
Cash and cash equivalents at the beginning of the year		**51,107,024**	19,232,303
Cash and cash equivalents at the end of the year		**154,360,051**	51,107,024

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHAIRMAN

SENIOR DIRECTOR (FINANCE)

COMPETITION COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1 LEGAL STATUS AND OPERATIONS

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of significant accounting estimates and judgements

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and equipment

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

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

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

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

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

3.2 Investments

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

3.3 Cash and cash equivalents

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

3.4 Employee benefits

3.4.1 Pension fund

The Commission maintains an unfunded pension scheme. The pension is payable to employees of defunct Monopoly Control Authority (MCA). An employee is eligible for pension after the completion of qualifying service of ten years. In the event of death of an employee, whether before or after retirement, his family shall be entitled to receive such pension.

No pension shall be admissible to an employee who is dismissed or removed from service for reasons of disciplinary actions. Provision is made annually to cover obligation under the scheme on the basis of actuarial valuation and is charged to income and expenditure account. The gain or loss arising on the basis of actuarial valuation is charged to other comprehensive income. The most recent valuation was carried out as at June 30, 2021 using the "Projected Unit Credit Method".

3.4.2 Provident fund

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

3.4.3 Staff gratuity

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

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

3.4.4 Leave encashment

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

3.5 Provisions

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

3.6 Revenue recognition

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

Income from fee are accounted for on accrual basis.

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

Profit on savings accounts is recognized on accrual basis.

3.7 Grant and Other Receipts

Unrestricted grant from government are accounted for on receipt basis.

Charge from regulatory bodies is recognized to the extent when it is probable that economic benefits will flow to the entity and charge can be reliably measured. Charge is measured at fair value of amount received or receivable.The Commission consider the ability and intention to pay the amount of charge when it is due. In case there is doubt on flow of economic benefit to the Commission, the Commission recognizes the charge from regulatory bodies to the extent of amount recovered.

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

3.8 Foreign Currencies

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

3.9 Taxation

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

Deferred tax is recognized to the extent as the management of the Commission is certain about the future taxable profits.

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3.10 Contingencies

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

3.11 Impairment

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

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

3.12 Government Grant

Government Grant has been received for operational and support activities of the Commission and is recognized on receipt basis.

3.13 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial Assets

Financial assets are recognized initially at fair value, normally being the transaction price. In the case of financial assets not at fair value through profit or loss, directly attributable transaction costs are also included. The subsequent measurement of financial assets depends on their classification, as set out below. The Commission derecognizes financial assets when the contractual rights to the cash flows expire.

The Commission classifies its financial asset as measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

(i) Financial assets measured at amortized costs

Financial assets are classified as measured at amortized cost when they are held in a business model the objective of which is to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in statement of profit or loss when the assets are derecognized or impaired and when interest is recognized using the effective interest method. This category of financial assets includes 'Loans and advances' and 'Cash and bank balances' in the statement of financial position.

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(ii) Financial assets measured at FV through profit or loss

Financial assets are classified as measured at fair value through profit or loss when the asset does not meet the criteria to be measured at amortized cost or fair value through other comprehensive income. Such assets are carried on the statement of financial position at fair value with gains or losses recognized in the statement of profit or loss. The Commission does not have any financial assets classified in this category.

b) Financial Liabilities

All other financial liabilities are initially recognized at fair value, net of directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. This category of financial liabilities includes trade and other payables.

i) Financial liabilities measured at fair value through profit or loss

Financial liabilities that meet the definition of held for trading are classified as measured at fair value through profit or loss. Such liabilities are carried on the balance sheet at fair value with gains or losses recognized in the income statement. The Commission does not have any financial liabilities classified in this category.

ii) Financial liabilities measured at amortized cost

All other financial liabilities are initially recognized at fair value, net of directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. This category of financial liabilities includes trade and other payables.

4 PROPERTY AND EQUIPMENT

	Land	Furniture and fixtures	Computer & accessories	Office equipment	Office refurbishment	Vehicles	Total
				(Rupees)			
	4.1						
Cost							
Cost as on July 01, 2019	45,288,429	19,436,163	32,341,618	4,674,523	14,309,107	10,645,514	126,695,354
Additions	-	308,436	1,083,081	102,491	-	-	1,494,008
Disposals/ transfers	-	-	(619,708)	-	-	-	(619,708)
Cost as on June 30, 2020	45,288,429	19,744,599	32,804,991	4,777,014	14,309,107	10,645,514	127,569,654
Accumulated Depreciation							
Balance as on July 01, 2019	-	16,567,122	27,395,380	4,336,931	12,733,695	9,806,015	70,839,143
Charge for the period	-	1,169,946	3,462,989	157,230	514,611	426,100	5,730,876
On disposals/ transfers	-	-	(553,474)	-	-	-	(553,474)
Balance as on June 30, 2020	-	17,737,068	30,304,895	4,494,161	13,248,306	10,232,115	76,016,545
Cost							
Cost as on July 01, 2020	**45,288,429**	**19,744,599**	**32,804,991**	**4,777,014**	**14,309,107**	**10,645,514**	**127,569,654**
Additions	-	1,136,998	2,117,622	583,480	-	-	3,838,100
Disposals/ transfers	-	(136,450)	(1,183,474)	(3,850)	(99,950)	-	(1,423,724)
Cost as on June 30, 2021	**45,288,429**	**20,745,147**	**33,739,139**	**5,356,644**	**14,209,157**	**10,645,514**	**129,984,030**
Accumulated Depreciation							
Balance as on July 01, 2020	-	**17,737,068**	**30,304,895**	**4,494,161**	**13,248,306**	**10,232,115**	**76,016,545**
Charge for the period	-	1,245,886	2,706,621	232,610	421,631	413,399	5,020,147
On disposals/ transfers	-	(136,450)	(1,045,152)	(3,850)	(99,950)	-	(1,285,402)
Balance as on June 30, 2021	-	**18,846,504**	**31,966,364**	**4,722,921**	**13,569,987**	**10,645,514**	**79,751,290**
Carrying amount June 30, 2020	45,288,429	2,007,531	2,500,096	282,853	1,060,801	413,399	51,553,109
Carrying amount June 30, 2021	**45,288,429**	**1,898,643**	**1,772,775**	**633,723**	**639,170**	-	**50,232,740**
Rate of depreciation per annum	**0%**	**20%**	**33%**	**20%**	**17%**	**20%**	

4.1 It pertains to the plot of land in G-10/4 Islamabad having total area of 3017.77 square yards.

		Note	2021	2020
5	**LONG TERM LOANS, ADVANCES AND DEPOSITS**		-----Rupees----	
	Loans to employees	5.1	**64,573,029**	57,697,682
	Security deposits		**4,434,900**	4,428,150
			69,007,929	62,125,832
5.1	**Loans to employees- considered good**			
	Opening balance		**74,824,587**	68,450,965
	Addition during the year		**25,340,526**	29,101,454
	Recovery during the year		**(17,233,045)**	(22,727,832)
	Closing balance		**82,932,068**	74,824,587
	Short term portion of loans to employees- considered good		**(18,359,039)**	(17,126,905)
			64,573,029	57,697,682

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

			2021	2020
6	**DEFERRED TAXATION**		-----Rupees----	
	Deferred Tax Asset	6.1	**193,861,244**	-

6.1 Deferred tax asset is in respect of the following temporary differences:

	Taxable temporary differences		
	Accelerated depreciation allowance	**4,034,992**	-
		4,034,992	-
	Deductible temporary differences		
	Pension fund	**(137,620,552)**	-
	Leave encashment	**(12,546,233)**	-
	Leave perpatutiory to retirement	**(410,179)**	-
	Gratuity	**(47,319,272)**	-
		(197,896,236)	-
6.2 & 6.3		**(193,861,244)**	-

6.2 Net deferred tax asset has been recognized on the basis of future profitability as the result of future projected profitable operations to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

No deferred tax was recognized in prior years as there was net deficit in prior years. The amount of unrecognized deferred tax as at June 30, 2020 was Rs. 186 million.

6.3 Movement in deferred taxation

The balance of deferred tax is in respect of the following temporary differences:

Deferred tax liabilities / (assets)	**As at July 01, 2020**	**Profit and loss account**	**Other comprehensive income**	**Surplus on revaluation**	**As at June 30, 2021**
	---------- (Rupees) ----------				
Effect of taxable temporary differences					
Accelerated depreciation allowance	-	4,034,992			4,034,992
Effect of deductible temporary differences					
Pension fund	-	(126,647,099)	(10,973,453)		(137,620,552)
Leave encashment	-	(12,546,233)			(12,546,233)
Leave perpatutiory to retirement	-	(410,179)			(410,179)
Gratuity	-	(47,319,272)			(47,319,272)
	-	(182,887,791)	(10,973,453)	-	(193,861,244)

7 ADVANCES,PREPAYMENTS AND OTHER RECEIVABLES	Note	2021	2020
		-----Rupees----	
Short term portion of loans to employees		**18,359,039**	17,126,905
General provident fund advance		**80,589**	80,589
Staff and Other advances		**1,049,025**	1,098,025
Prepayments	7.1	**82,875,268**	73,888,202
Other receivable	7.2	**52,528,368**	50,725,282
		154,892,289	142,919,003

7.1 It includes the amount Rs. 81.1 million (2020: 73.3 million) paid as prepaid rent for the year 2020-2021 for basement, 7th, 8th, 9th and 11th floors of Islamabad Stock Exchange tower.

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

8 SHORT TERM INVESTMENTS	Note	2021	2020
		-----Rupees----	
Term deposit receipts	8.1	**465,000,000**	310,000,000
Interest receivable on investment- considered good		**5,135,384**	16,807,973
		470,135,384	326,807,973

8.1 This represents the investment made in TDR's during the year amounting to PKR 415 million, and PKR 50 million at rates provided by bank. Short Term Deposits carry interest at effective annual rate of 6.95% (2020: 5.70% to 11.40%) with maturities of one month from the reporting date.

9 CASH AND BANK BALANCES	2021	2020
	-----Rupees----	
Cash in hand	**28,236**	24,885
Cash at bank:		
-Current account	**153,692,790**	50,924,884
-Deposit account	**639,025**	157,255
	154,360,051	51,107,024

10 PENSION LIABILITY	2021	2020
	-----Rupees----	
Opening balance	**428,094,118**	438,767,789
Charge to expense for the year	**41,928,931**	63,113,565
Charge to other comprehensive income	**37,839,493**	(41,542,657)
Payments made during the year	**(33,308,916)**	(32,244,579)
Closing balance	**474,553,626**	428,094,118

10.1 Pension liability relates to the employees of MCA (Monopoly Control Authority) who join CCP when the commission was established.

10.2 Charge for defined benefit obligation	2021	2020
	-----Rupees----	
Current service cost	**784,965**	1,829,970
Net interest cost	**41,143,966**	61,283,597
Net actuarial loss recognized	**37,839,493**	(41,542,657)
	79,768,424	21,570,910

10.3 Actuarial Assumptions

Valuation discount rate	**10.25%**	10.00%
Salary increase rate	**10.25%**	10.00%
Expected return on plan assets	**10.25%**	10.00%
Pension indexation factor	**7.00%**	7.00%
Mortality rate	**SLIC 2001-2005**	SLIC 2001-2005

10.4 Actuarial Evaluation has been carried out at June 30, 2021 by Acturial Consultants, Abdul Rahim Abdul Wahab. The report was dated on June 30, 2021.

		2021	2020
11	**LEAVE ENCASHMENT**	-----Rupees----	
	Opening balance	**38,152,849**	33,275,283
	Expense for the year	**6,215,440**	5,720,504
	Payments made during the year	**(1,105,414)**	(842,938)
		43,262,875	38,152,849

11.1 The gross salary for computation of Provision for Leave Encashment includes basic pay, personal pay and fixed allowances as per Appendix of CCP (Service) Regulations, 2007.

		2021	2020
12	**LEAVE PREPARATORY TO RETIREMENT**	-----Rupees----	
	Opening balance	**1,582,061**	1,582,061
	Less: Payments made during the year	**(167,652)**	-
		1,414,409	1,582,061

13	**GRATUITY**		
	Opening balance	**140,341,131**	118,250,802
	Expense for the year	**29,843,380**	31,527,432
	Payments made during the year	**(7,014,608)**	(9,437,103)
		163,169,903	140,341,131

13.1 The gross salary for computation of Provision for gratuity includes basic pay, personal pay and fixed allowances as per Appendix of CCP (Service) Regulations, 2007.

		Note	2021	2020
14	**INCOME TAX PAYABLE**		-----Rupees----	
	Opening balance		**11,734,071**	10,969,947
	Less: Tax paid/adjusted during the year		**(1,218,831)**	(3,829,413)
	Tax deducted at source during the year		**(22,755,081)**	(3,593,617)
			(23,973,912)	(7,423,030)
	Provision for income tax - current year		**51,729,698**	8,187,154
			39,489,857	11,734,071

15	**ACCRUED AND OTHER LIABILITIES**			
	Accrued expenses		**5,592,273**	15,872,254
	Withholding tax payable		**2,564,937**	1,641,067
	Other liabilities	15.1	**3,687,165**	6,079,761
			11,844,375	23,593,082

15.1 Other liabilities include, an amount of Rs 2.3 million (2020: 1.85 million) payable to AGPR related to general provident fund of MCA employees who did not join CCP after its establishment.

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

16.1.1 The Commission's assessment for tax year 2012, 2014 and 2015 have been amended by tax department creating income tax demand of Rs. 18,011,482, Rs. 22,061,069 and Rs. 33,585,287. The major amendment consisted of charging tax on government grant, which was declared as exempt by the Commission.

First appeals furnished by the Commission before Commissioner Inland Revenue (Appeals) have been rejected. The commission has submitted second appeals before Appellate Tribunal Inland Revenue (ATIR), which are pending for adjudication. While pendency of appeals, tax department has coercively recovered Rs. 33,585,287 and Rs. 13,847,224 out of the demand of tax year 2015 and 2014 respectively through attachment of bank accounts. The Commission filed an appeal against this decision in Islamabad High Court (IHC), consequent to which, IHC ordered for the case to be heard in ATIR. As per the Commission's income tax advisor, a favorable outcome of the appeal is likely.

16.1.2 The Commission, in order to provide vehicles to its entitled officers, has obtained a credit line facility of PKR 100 million for Car Financing from Bank Islami Pakistan Limited (BIPL). The credit facility is used to purchase cars for Members and entitled officers on lease finance basis and is secured against the terminal benefits. Monthly lease rentals are recovered from the salaries of the Members and entitled officers and are accordingly transferred to BIPL. The Commission has not only obtained undertakings but has also signed seperate agreements with the Members and entitled officers idemnifying it against any future liability.

16.2 Commitments

There is no material capital commitment as at June 30, 2021 (2020: Nil).

	Note	2021	2020
17 FEE AND REGULATORY INCOME		-----Rupees----	
Fee income	17.1	**136,810,601**	119,585,350
		136,810,601	119,585,350

17.1 Fee income

Acquisition fee	**104,701,955**	95,276,073
Exemption fee	**23,422,280**	10,054,677
Merger/amalgamation fee	**5,577,966**	6,900,000
Joint Venture Fee	**2,100,000**	6,750,000
Complaint lodging fee	**855,500**	450,000
Advice fee	**100,000**	100,000
Copying fee	**52,900**	54,600
	136,810,601	119,585,350

18 OPERATING COSTS

Salaries and benefits	**396,899,564**	384,498,620
Travelling and conveyance	**4,493,515**	9,526,209
Rent for office building	**78,653,052**	76,826,550
Office building services charges	**6,224,300**	7,187,230
Communications	**4,934,746**	4,296,559
Utilities	**7,711,294**	9,738,760
Printing and stationery	**4,791,671**	2,865,131
Legal and professional charges	**13,815,000**	1,805,000
Fee and subscription	**3,115,222**	5,562,939
Advertisement and publicity	**1,159,034**	1,578,881
Conference, workshop and seminar	**-**	101,678
Repair and maintenance	**2,094,705**	1,186,574
Office supplies	**1,317,811**	1,068,863
Newspaper and periodicals	**711,582**	720,466
Insurance of vehicles	**41,302**	27,447
Security	**3,379,730**	3,168,480
Audit fee	**1,122,400**	420,000
Bank charges	**8,200**	1,392
Depreciation	**5,020,147**	5,730,876
Entertainment	**986,451**	929,810
Miscellaneous expenses	**3,559,446**	3,385,583
	540,039,172	520,627,048

19 GRANT AND OTHER RECEIPTS	Note	2021	2020
		-----Rupees----	
Government Grant		**250,000,000**	290,000,000
Receipt from Regulatory Bodies	19.1	**399,290,330**	-
		649,290,330	290,000,000

19.1 Under Section 20(2)(f) of the Competition Act, 2010 read with SRO (1)/2008 dated 23.12.2008 & SRO 1277(I)/2020 dated 27.11.2020, a statutory charge of 3% of the fee and charges collected by the Securities and Exchange Commission of Pakistan (the SECP), the National Electric Power Regulatory Authority (the NEPRA), the Oil and Gas Regulatory Authority (the OGRA), the Pakistan Telecommunication Authority (the 'PTA'), and the Pakistan Electronic Media Regulatory Authority (the 'PEMRA') is payable to the Commission. The Commission has consistently and persistently followed up payment with all regulatory bodies. The regulatory bodies have started paying the statutory charge to the Commission. During the year payments of Rs. 399 million (2020:Nil) are made by SECP, OGRA and PTA. NEPRA and OGRA have cleared their outstanding balance as of June 30, 2021. SECP and PTA have agreed to pay the outstanding charges in instalments in a period of 6 years and 5-10 years respectively. However, owing to the uncertainty of flow of economic benefits to the Commission, the charge is recognized on receipt basis.

20 OTHER INCOME	Note	2021	2020
		-----Rupees----	
Gain on sale of fixed assets		**92,487**	245,266
Interest income on investment		**16,478,559**	32,908,717
Miscellaneous income		**814,105**	93,512
		17,385,151	33,247,495

21 TAXATION	2021	2020
	-----Rupees----	
Tax expense - current year	**51,729,698**	8,187,154
Deferred tax	**(182,887,791)**	-
	(131,158,093)	8,187,154

21.1 Reconciliation of tax expense for the year			
Profit/ (loss) before taxation		**263,446,910**	(77,794,203)
Tax rate		**29%**	**29%**
Tax on accounting profit		**76,399,604**	(22,560,319)
Tax effect of exempt income-net		**(22,363,334)**	22,131,256
Others	21.2	**(185,194,363)**	-
Tax effect of unabsorbed losses		**-**	8,616,217
		(131,158,093)	**8,187,154**

21.2 Others include impact of deferred tax asset on pension fund, leave encashment, leave perpatutiory and gratuity which was not recognized in prior years due to accounting losses.

22 FINANCIAL INSTRUMENTS BY CATEGORY	2021	2020
FINANCIAL ASSETS	-----Rupees----	
At amortized cost		
Long term loans, advances and deposits	**69,007,929**	62,125,832
Cash and bank balances	**154,360,051**	51,107,024
Short term investments	**470,135,384**	326,807,973
Advances, prepayments and other receivables	**107,592,289**	95,619,003
	801,095,653	535,659,832

FINANCIAL LIABILITIES	2021	2020
	-----Rupees----	
Financial liabilities - at amortized cost		
Leave encashment	**43,262,875**	38,152,849
Leave perpatutiory to retirement	**1,414,409**	1,582,061
Gratuity	**163,169,903**	140,341,131
Accrued and other liabilities	**9,279,438**	21,952,015
	217,126,625	202,028,056

23 REMUNERATION OF CHAIRPERSON AND MEMBERS

The aggregate amount charged in these financial statements in respect of remuneration and allowances, including benefits, to the chairperson and members of the Commission are given below:

	2021	2020
	Members	
	-----Rupees----	
Basic Pay	**18,209,867**	22,274,560
House Rent Allowance	**4,744,500**	5,803,266
Utilities	**824,925**	1,014,390
Monetization of Vehicle	**3,372,319**	4,168,908
Total	**27,151,611**	33,261,124
Number of personnel	**3**	4

	2021	2020
	Chairperson	
	-----Rupees----	
Basic Pay	**6,171,905**	5,187,380
House Rent Allowance	**1,644,452**	1,382,133
Utilities	**281,410**	236,520
Monetization of Vehicle	**1,110,700**	933,534
Total	**9,208,467**	7,739,567
Number of personnel	**1**	1

24 NUMBER OF EMPLOYEES

	2021	2020
	-----Numbers----	
Total number of employees at year end	**151**	148
Average number of employees during the year	**150**	151

25 GENERAL

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

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

26 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements are authorized for issue by the members of the Commission on January 03, 2025

CHAIRMAN

SENIOR DIRECTOR (FINANCE)



Competition Commission of Pakistan

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