

ANNUAL REPORT

2013

EXCEEDING  
EXPECTATIONS,  
ACHIEVING  
HIGHER GOALS



**Competition Commission of Pakistan**  
Creating a level playing field

# Mis



# Statement sion

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



## D I S C L A I M E R

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# Chairperson's Message

Rahat Kaunain Hassan



As I am about to complete my term as Chairperson on July 25, 2013, I look back with satisfaction at the progress made by the Commission from where we started. At the time of succession, I was scared to step into 'big shoes', I, therefore, started running barefeet. After a while, I discovered I would be comfortable with my own shoe size.

What we value in relation to the successes achieved is the teamwork and the enthusiasm, spirit and dedication, which enabled us to reach where we stand. As I leave, I consider it important to share with you all what I believe are effective tools of empowerment for an enforcement agency. It is the challenges we face and the choices we make, that truly empower us. Making the right choices is closely linked with our ability to deliberate and act decisively albeit; our instinct may also serve as a guide. It is important to remember that the exercise of discretion is a fiduciary trust and must, therefore, be discharged accordingly. Invariably, good intentions coupled with right values and ethos; enable us to make the right choices.

For the last 2 years owing to our enforcement, the Commission was short listed amongst the top 5 out of 42 competition agencies in the Region of Asia Pacific Middle East and Africa for the Global Competition Review enforcement 'agency of the year award'. We need to recognize that our institutions cannot and should not work in isolation;

we must endeavour to benchmark ourselves with developed economies and in this regard I believe that the Commission has certainly raised the bar.

Relocating the office from the Diplomatic Enclave to Blue Area was also an important decision; The Commission's office, it is said can be "advertised as a model...that the Government can justly be proud of". The relocation not only enabled us to achieve visibility, accessibility but also cost effectiveness.

Our focus must not deviate from the given institutional mandate. It is difficult to disagree with the fundamental principle that institutional interest must supersede any individual or personal inclination – our aim cannot and should not be making every one happy or to act by popular demand – legitimacy in action comes not from how others feel or view things but what ought to be have been done. Remaining in sync with the world, keeping an open mind and having a heart often offer better opportunities for superior decision-making. However, it is consultation and not consensus that one seeks while deciding matters.

We need to be aware that we are capable of making mistakes yet this should not become our fear and it should not keep us away from moving on; with the best of our intentions and to the best of our abilities.

Important future decisions that I feel will have an impact on the Commission's sustainability include:

**Enabling the Commission to achieve financial autonomy:**

For a culture of competition to take root in Pakistan; it needs a strong and independent voice. The Commission cannot be this voice without financial autonomy. Our law provides for independent funding through tied sources, namely the 3% of fee and charges levied by five other regulatory bodies namely: PTA, PEMRA, OGRA, SECP & NEPRA. This is envisaged to form part of the Commission Fund. While the Government has always assured us of its support in this regard, we have been operating under severe resource constraints. It is imperative that the Commission gets this funding as this has direct impact on its operations. Despite endorsement by the Ministry of Law, Ministry of Finance and assurances from the Government at the highest level, the reason this could not be achieved, I believe, was more of a turf issue rather than the inability to contribute or any legal impediment.

**Retaining and building the professional team:**

Institutional sustainability and reputation is dependent on the team it comprises of. While we should be proud to have built a team of professionals, we are confronted with the challenge to retain our human resource and to further build and enhance our capacities. It would be a loss to organizational effectiveness if our talented and experienced professionals left to pursue more financially viable employment. Hence, the budgetary needs have to be addressed by making the Commission financially sound and autonomous.

**Huge backlog of cases in courts:** The Commission has imposed over PKR 25 billion of penalties.

The Competition Appellate Tribunal could only dispose 1 case so far and stands inoperative owing to the retirement of 2 Members. To address the pending cases, it may be worthwhile to pursue constitution of a competition bench comprising of a minimum of 2 judges of the High Court, where any person aggrieved by any decision or order of the Competition Commission of Pakistan may file an appeal within 30 days from the date of communication of such a decision or order. We need to recognize that matters of economic importance have to be prioritized in disposal. In cases of cartels and abuse of dominant position, where we

have imposed huge penalties (owing to the public harm done) and which if recovered would go to the Exchequer; we must insist that these companies should be required to deposit at least a meaningful percentage of the penalty upfront with the courts. This will keep their interests alive in expeditious disposal and eventually reduce exploitation of system. Also it would be helpful if, prior to grant of stay, the regulatory bodies are given due opportunity to present the true and full picture before the courts and stays are not granted ex parte.

In the end, I sincerely thank you all; Members, Officers and Staff for working together truly as a 'TEAM' and contributing towards building the Commission as a vibrant institution. The business community, perhaps somewhat reluctantly, has started recognizing the Commission's mandate and no longer views it as an adversary. In fact, its candid feedback will continue to contribute in making the Commission a robust institution.

I must also acknowledge the support, appreciation and encouragement received from the international community, including organizations such as UNCTAD, GCR, FTC and OECD for our work that provided impetus to our commitment.

I also wish the Government, the Honourable Minister and his team all success in their efforts to drive economic growth in Pakistan and to strengthen the regulatory framework in the country. Institutions like the Commission will be integral to the smooth functioning of a sound economic architecture required to be set in place and in serving the public good.

I now look forward to support the pro-competition economic agenda for Pakistan from outside the Commission. I wish the Commission and each one of you the very best in your future endeavours. My earnest desire is, for the Commission to continue prospering and exceeding everyone's expectation in becoming a world-class competition agency – in every sense of the word!

May God be with you – ADIEU!

**Rahat Kaunain Hassan**

CHAPTER



# The Commission





## Rahat Kaunain Hassan

**C H A I R P E R S O N**

Ms. Hassan served as Chairperson of the Commission from July 2010 till July 2013.

Previously, she served as Member (Legal and Office of Fair Trading) in the Commission since its establishment in November 2007. As Member, she was instrumental in the establishment of the Office of Fair Trading within the Commission, and authored numerous position papers, guidelines, policy notes regarding important issues of competition law and policy. Moreover, she has co-authored most of the important Orders passed by the the Commission.

In 2001, Ms. Hassan was appointed General Counsel/Executive Director at the Securities and

Exchange Commission of Pakistan. After leaving the SECP in 2003, she established her own law firm focused on civil, commercial, and regulatory law.

Ms. Hassan received her Master's degree in law from King's College, London, having concentrated her academic work on the law of international finance and international business transactions. She has been associated with and has been a partner at some of Pakistan's finest civil and commercial law firms. She has also been nominated for the Sitara-e-Imtiaz.



## Abdul Ghaffar

**M E M B E R**

Mr. Ghaffar served as Member of the Monopoly Control Authority and then became a Member of the Commission in October 2007. He was actively involved in drafting the new Competition Law and restructuring of the Monopoly Control Authority of Pakistan in his capacity as a member of the Steering Committee for Competition Policy, headed by the then-Secretary Finance.

As Member, Cartels and Trade Abuses of the Commission, he has taken several landmark decisions in cases relating to cartels, mergers and acquisitions.

Mr. Ghaffar has over 39 years of experience in administration, public policy, finance, accounts, taxation, corporate laws, strategic studies, and competition and consumer protection laws. He served in the Federal Board of Revenue in various capacities dealing with administration of all direct taxes. Before joining government service, he was a practicing lawyer as member of the Lahore District Bar.

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



## Dr. Joseph Wilson

**M E M B E R**

With over 21 years experience of public service, law practice, teaching and research in regulatory laws, Dr. Joseph Wilson has been serving as a founding Member of the Commission since it was established in 2007. He has overseen the activities of the Monopolies and Trade Abuses, Mergers & Acquisitions, International Affairs, Strategic Policy, Research and Exemptions Departments at the Commission.

Prior to joining the Commission, he was an Associate Professor of Law at the Lahore University of Management Sciences (LUMS), Pakistan, where he taught “Competition Law” in addition to other courses. He has presented at

various international conferences, published in international law journals and authored a book titled “Globalization and the Limits of National Merger Control Laws (published by Kluwer Law International).

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



## Mueen Batlay

**M E M B E R**

Mr. Mueen Batlay, joined the Commission in January 2011 and oversees the activities of the Competition Policy and Research and Cartels departments. He has focused on building the capacity of the Competition Policy and Research Department to help the Commission assist the government in improving competitive forces in the economy. In addition, he is strengthening the department’s research capabilities to produce policy notes, competition assessments and regular publications to assist the Commission in its work. More recently he has begun to oversee the operations of the Cartels, which is responsible for critical work of the Commission.

Prior to joining the Commission he worked in the fields of investment banking, international

development, consulting, education and public policy in Pakistan and overseas for over 20 years.

His past experience includes managing an investment advisory and a consulting firm, Capital Resource. He oversaw assignments including project finance, advisory and public private partnership projects at Samba Bank, Pakistan. His earlier experience includes private sector development, privatization, and capital market development at the World Bank, USA; education policy and public schools system management for the city of Washington DC, USA; and economic reform management for the Government of Sindh. While at the World Bank, he advised the governments of Sri Lanka and Jordan in developing their privatization programs

and worked to strengthen capital markets globally. With the Government of Sindh, he channeled the efforts of multiple public private taskforces to develop and implement an economic reform program for the province. At Citibank, he worked on privatization advisory and on developing term finance certificates - the first corporate bonds of

Pakistan. For Washington DC schools, he initiated the student tracking and database management programs. Mr. Batlay holds a Master of Public Policy (MPP) with emphasis on international trade and finance from the Kennedy School of Government at Harvard University.



## Shahzad Ansar

**M E M B E R**

Mr. Ansar is predominantly a private sector entrepreneur with over 27 years' experience in management, business development and project finance. He is responsible for the activities of the Office of Fair Trading and Budgetary Affairs departments of the Commission and is currently also overseeing the Advocacy Department. Before joining the Commission, Mr. Ansar was the CEO of Furniture Pakistan (a subsidiary of Pakistan Industrial Development Corporation), and a thermal power plant, and was the head at World Water Corporation USA for its operations in the Pakistan region. As a businessman, he managed two industrial units from their inception to full-scale operation. He has been actively involved in trading with companies based in Singapore, Malaysia, USA, Canada and China, and holds strong ties with international players in the energy and commodities sectors. He has also been involved in consultancy projects in the fields of SME management, micro-financing and energy.

He has substantial experience in dealing with international financial organizations such as the World Bank, KFW, TDA, COFACE, Hermesdeckung. On the academic front, Mr.

Ansar has been associated with the Virtual University of Pakistan, Ministry of Information Technology as a resource person. In this capacity he has recorded 180 lectures for MBA/BBA students and has also authored books on the subjects of SME Management, Entrepreneurship, International Business and Business Ethics. He was the Dean of Management Sciences at the University of South Asia while being a visiting faculty member at University of Central Punjab and Civil Services Academy.

Mr. Ansar has a Masters degree in Engineering Geology and a PhD. in Business Administration with a specialization in Micro Finance. The topic of his PhD. thesis was "State of Micro-Finance in Pakistan and its Role in Poverty Alleviation". He holds a number of certifications which include: Certified SME Manager in the Doctorate category and an International Advanced Diploma in Human Resource Management. He is a fellow at the Trinity College of Fellows. Mr. Ansar also has certifications in Intellectual Property Laws, Marketing and Personal Finance from Nipomo, California USA.



# Ministry of Finance

*The Ministry of Finance is responsible for the economic and financial management of the country. The Ministry focuses on broader areas relating to financial and fiscal policy including economic growth, economic stabilization, inflation, poverty reduction, public debt management and economic reform. Its domain extends to important financial matters such as the preparation of the annual budget for the consideration and approval of Parliament. For administrative purposes it also serves as the parent Ministry of some federal regulatory agencies that includes the Competition Commission of Pakistan. The Ministry of Finance and the Competition Commission of Pakistan work closely together to strengthen the regulatory framework in the country and thus promote economic growth and foster the necessary conditions for a vibrant economy.*

## Mr. Ishaq Dar

F E D E R A L M I N I S T E R



A leading financial-cum-economic expert, Senator Mohammad Ishaq Dar is the Federal Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization. He attended Government College Lahore, and Hailey College of Commerce, University of Punjab, Lahore (1966-69). He was awarded two Gold Medals and a Roll of Honour for First position in B. Com. (Hons).

He has 42 years of professional experience in the audit profession, financial advisory, management consultancy, business, commerce and industry, both in private and public sectors, in Pakistan and abroad.

His post-qualification professional experience earned him Fellowship (FCA) of ICAEW in 1980 and of ICAP in 1984. Subsequently, he also became a Fellow Member (F.P.A) of the Institute of Public Finance Accountants of Pakistan. Senator Dar was bestowed Life Membership of ICAEW in January 2012. He has also worked

as Director Finance of a British Textiles Group in London. He remained National Partner in a Chartered Accountants firm dealing with tax, corporate and financial management, audit and consultancy matters of the clients, including public sector and public-listed companies. Senator Dar acted as Chairman/Chief Executive and Director of a Non-Banking Financial Institution (Public-Listed) in Pakistan.

Senator Dar has presently the important portfolio of Chairman, Standing Committee on Industries and Production, in addition to working as Member of a few Standing Committees, including Finance, Revenue, Economic Affairs, Statistics and Planning and Development, Commerce and Investment. In recognition of his Parliamentary services, the Government of Pakistan conferred on him Nishan-e-Imtiaz (the highest civil award for Pakistani nationals) in 2011.

## Dr. Waqar Masood Khan

F E D E R A L S E C R E T A R Y



Dr. Khan is an eminent economist with wide-ranging experience of both public and private sectors. He has a Ph.D in Economics and M.A. in Political Economy from Boston University, Massachusetts, USA and has a M.A. in Economics and L.L.B. from the University of Karachi.

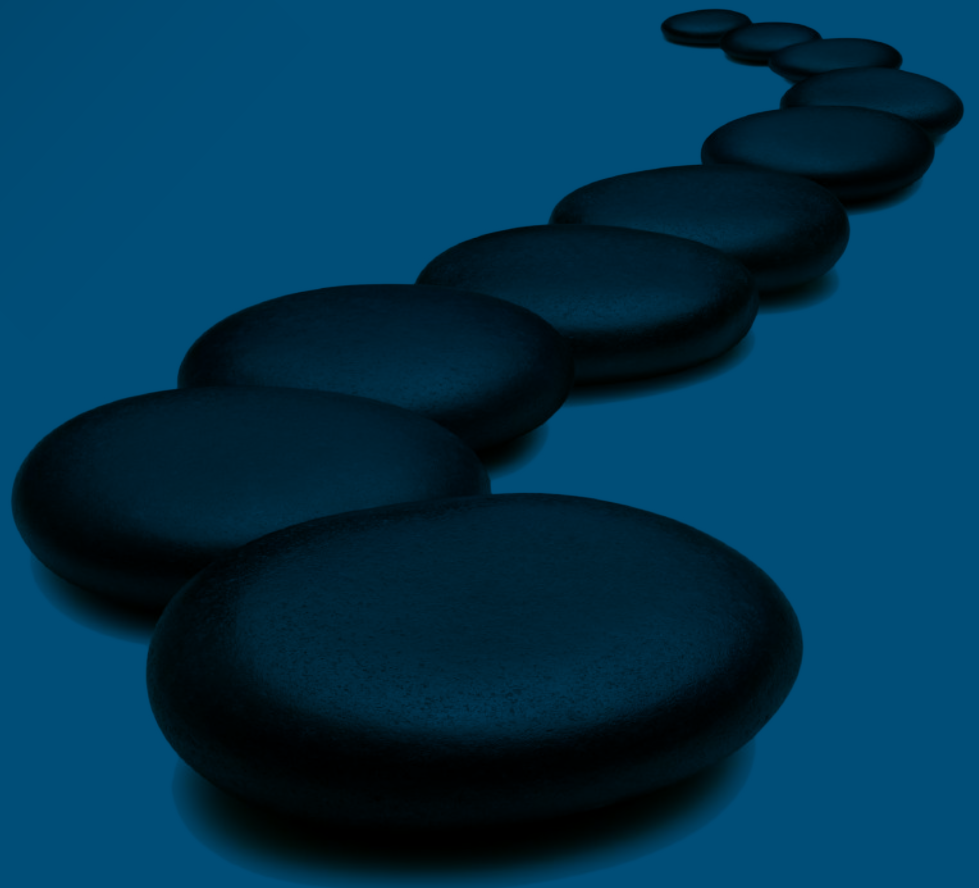
Prior to his current assignment as Federal Secretary Finance, Dr. Khan has held various senior positions in the Federal Government including Special Secretary to the Prime Minister, Secretary Economic Affairs Division, Secretary Petroleum & Natural Resources and Secretary Ministry of Textiles.

He also has the experience of teaching macroeconomics at graduate level at Pakistan Institute of Development Economics (PIDE).

Apart from having several institutional and personal publications to his credit, he has served on the Boards of important national and international institutions including Islamic Development Bank, National Bank of Pakistan, Pakistan International Airlines, PTCL and Pak-Oman Investment Company etc.



# The Commission's Structure



# Commission's Secretariat

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The Commission's Secretariat is headed by the Secretary who is appointed by the Commission and whose duties and responsibilities are prescribed in the Competition Commission (Conduct of Business) Regulations, 2007. The common seal of the Commission remains under the safe custody of the Secretary.

## **Main functions of the Secretariat:**

- Maintenance of record of the Commission's meetings and decisions taken therein.
- Circulation of important decisions to concerned departments and the monitoring and reporting of their execution.
- Communication of all decisions made by the Commission to the relevant people outside the Commission.
- Exercise of any powers that may be assigned to him by the Commission.

During the year, the Commission held 19 meetings in which important decisions were taken. Some of the important decisions taken during the period, include the following:-

## **Peer Review of the Commission:**

Approval was accorded to conduct a Voluntary Peer Review of the Commission through UNCTAD.

## **Enquiries:**

- i. An enquiry was conducted into possible violation of section 4 of the Competition Act by CNG Associations and their members.
- ii. An enquiry was conducted into abuse of Collective

Dominance and Deceptive Marketing Practices by Cellular Mobile Telecom Operators.

## **Policy Notes:** The following Policy Notes were issued:

- i. Policy Note to FBR recommending that tariff structure of PET Resins be revised.
- ii. Policy Note to FBR about Amnesty Scheme for Smuggled/ Seized Vehicles.

**Disposal of Court Cases:** The Commission deliberated on a strategy to address the large number of cases pending in the courts.

**Amendment in Regulations:** The Commission made suitable amendments in the Competition Commission (Merger Control) Regulations, 2007.

**Revision of Fees:** The fees prescribed under the Act were rationalized.

**Research Studies:** It was decided to conduct research studies in the following sectors: Textiles, Pharmaceutical, Transportation, Agriculture and Telecom.

**Standard Operating Procedures (SOPs):** The SOP for Capacity Building was approved.

**Third International Conference:** The Commission approved holding the third International Conference in May 2013.



# Cartels and Trade Abuses Department

The C&TA Department monitors the market for evidence of any practices that distort competition and conducts inquiries and investigations for possible contraventions of Sections 3 and 4 of the Competition Act.

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

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

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





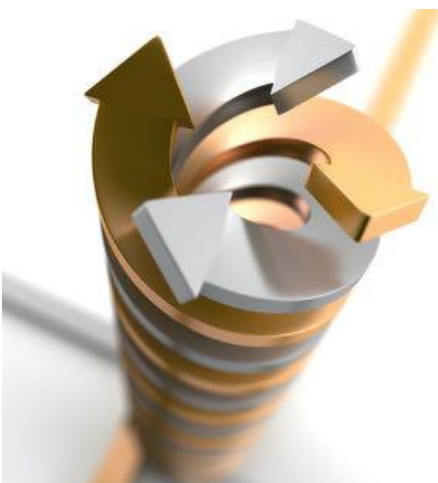
## Office of Fair Trade (OFT)

OFT is responsible for protecting consumers and business interests of undertakings from deceptive marketing. In case of violations of Section 10 of the Competition Act that deals with deceptive marketing practices, OFT conducts inquiries into the affairs of any undertaking as may be necessary for the purposes of the Competition Act. OFT also gives advice to undertakings approaching the Commission, assessing whether any action proposed to be taken by such undertakings is consistent with the provisions of the Competition Act, rules, or orders made there under. OFT also conducts studies for promoting competition in various sectors

of commercial and economic activity for protection of consumers against deceptive marketing practices mentioned under Section 10 of the Competition Act.

OFT is responsible for protecting consumers and business interests of undertakings from deceptive marketing practices.

## Mergers & Acquisition Department



Section 11 of the Competition Act empowers the Commission to review mergers and make sure that no merger which substantially lessens competition by creating or strengthening a dominant position in the relevant market, takes place. The functions of this Department include detection of merger and acquisition cases with the help of newspaper reports, websites of the stock exchanges, and directly from the Securities and Exchange Commission of Pakistan. It reviews mergers and/or acquisitions of shares or assets, including joint ventures. To facilitate those undertakings contemplating a merger

or acquisition that want to get an informal and non-binding view of the Commission, the Department operates "Acquisitions & Mergers Facilitation Office" (AMFO). The procedure adopted by the Department for examining the application and issuance of a No Objection Certificate (NOC) is extremely transparent and is operated expeditiously by experts working in this Department. In spite of an accelerated time frame of 30 days for the first phase review, cases are typically finalized and an NOC is issued within a couple of days, except for the cases where additional information or an in-depth analysis is required.

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SECTION

Competition Advocacy

- (a) Creating awareness and imparting training about competition issues and taking such other actions as may be necessary for the promotion of a competition culture;
- (b) Reviewing 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 Government and Provincial Governments;
- (c) Holding open hearings on any matter affecting the state of competition in Pakistan or affecting the country's commercial activities and expressing publicly an opinion with respect to the issues; and
- (d) Posting on its website all decisions made, inquiries under review and completed, merger guidelines, educational material and the like.

## Competition Advocacy

Advocacy is a key function of the Commission which aims at creating, expanding and strengthening awareness of competition in the economy. Like many other competition agencies around the world, the Commission promotes competition through advocacy as well as enforcement. The Commission has been focusing its efforts on what it calls knowledge based advocacy to create awareness of the law. This sensitization of the stakeholders, including the public

and private sector, legal community, academia, media, and the government, is being carried out through a well-articulated advocacy strategy developed by the Commission's Advocacy Department. Extensive and focused advocacy efforts include national and international conferences, seminars, training workshops, roundtables, media appearances, sessions of the Competition Consultative Group and bilateral meetings with sector regulators.

## Competition Policy and Research Department

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

bodies on policies, laws, and regulations that distort competition, and suggest pro-competition measures.

### **INFORMATION RESOURCE CENTRE:**

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



## Office of International Affairs

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The Office of International Affairs (OIA) was established in January 2010 in the prescient realization that a growing number of competition regimes – around 130 in 2012 and most of them increasingly interested in putting a sound competition policy in place – and the globalization of competition law and enforcement would result in significant communication between competition agencies. Much of the OIA's international communication takes place in a variety of multilateral

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

# Legal Department

The Legal Department plays a pivotal role in enabling the Commission to shape, implement and regulate competition law in Pakistan. The Legal Department provides its legal advice and services to all other departments of the Commission.

## **FUNCTIONS AND RESPONSIBILITIES:**

The Legal Department's functions and responsibilities include, inter alia, managing the legal affairs of the Commission, researching and staying abreast of competition law developments in mature jurisdictions, providing legal advice and assistance to operational departments and undertakings on matters/issues pertaining to the Competition Act. The Department also serves as a liaison with the Federal Government, its ministries, and other regulatory authorities, in particular the sector-specific regulators.

The Commission has been vested, by the Competition Act, with requisite powers to prescribe Rules and Regulations relating to its functions and activities. The Department is charged with the responsibility of drafting such secondary legislation and vetting it to ensure its compliance with the law. Mindful of its role in an ever-changing economic context, the Department has assisted the commission in consistently reviewing and revisiting the various Regulations. This is directly in line with the Commission's aim of continuously improving upon the law, to ensure that Pakistan remains at the cutting edge of competition law innovations, while tailoring the law to its unique indigenous corporate and legal environment.

## **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 authorized to represent the Commission as its official spokesman in litigation matters before the various courts of Pakistan.

During the year, the Commission has issued Show Cause Notices to various undertakings, conducted 30 hearings, and resultantly issued a number of decisions of major significance regarding various aspects of Competition Law from July 2012 to June 2013. Most of the decisions taken have broken new ground in the realm of Competition Law in Pakistan, and have made substantial contributions to the further development of competition law jurisprudence in Pakistan.

## **LITIGATION INVOLVING CCP: THE ROLE OF THE LEGAL DEPARTMENT:**

Public bodies world over are often embroiled in litigation as their actions are routinely challenged before the superior courts. Being a public and statutory body, the Commission's actions, too, are subject to legal challenge. Such legal challenges include proceedings in Appeal before the Supreme Court as well as constitutional challenges under the writ jurisdiction of the High Courts. The Department prepares pleadings to be filed in all litigation-related matters involving the Commission. In the past year a number of companies, to which Show Cause Notices were issued, challenged the constitutionality of the Act before the High Courts. These matters remain pending before the superior courts. In defending itself against such constitutional challenges attacking the constitutionality of the Act, the Commission is being represented



by external counsel, including senior Supreme Court practitioners. However, the Commission has worked closely with external counsel in developing the litigation strategy in defending such cases.

## **EXEMPTIONS (PROHIBITED AGREEMENTS) UNDER SECTION 5 OF THE ACT**

Consistent with global competition law, the Competition Act recognizes that certain practices or agreements that would otherwise be prohibited may provide an overall benefit to consumers such as improving production, distribution, and technological development that would outweigh the adverse effect of decreased competition in the market. Thus, the

Competition Act makes provision for undertakings to apply for exemptions should the pro-competitive effects of a prohibited practice or agreement be deemed advantageous. One of the responsibilities of the Department is the initial processing of such exemptions applied for by undertakings under Section 5 of the Act. These exemption applications are initially processed by the Department and then the Member (CAD, M&IA, TA, E) makes the final decision regarding grant of exemptions.

The Department processes applications for exemptions in light of the criteria set out under Section 9 of the Act. In fiscal

year 2012-2013, a total number of 53 exemption certificates were issued, out of which 22 were in respect of new exemption applications filed with the Commission and 31 related to renewal of exemption certificates.

### **AMENDMENTS IN REGULATIONS**

As the Competition Act is an enabling law, appropriate rules and regulations are required for effective enforcement. In the financial year 2012-2013, certain changes have been made to the existing rules and regulations of the Commission after eliciting public comments. The Commission made the following amendments in its regulations:



<b>Name of Regulation</b>	<b>Date of Notification</b>	<b>Amendment</b>
Competition (Leniency) Regulations, 2007	S.R.O. 923 (I)/2012 dated 31-07-2012	The amendments introduced the power to revoke lenient treatment in case of false evidence and the concept of obtaining lenient treatment in respect of a violation in a second market.
Competition (Merger Control) Regulations, 2007	S.R.O.330(I)/2012 dated 15-04-2013	The amendment included transactions undertaken by an investment company for the purpose of earning dividend and capital gains to the list of exempted transactions.

### **VETTING OF BILATERAL INVESTMENT AGREEMENTS**

A number of bilateral investment agreements have been received from the Board of Investment for review and feedback in the financial year July 2012-June 2013. The Legal Department has reviewed these agreements and provided comments on such bilateral investment agreements in light of the Competition Act.

- i. Review of Pakistan's Model Bilateral Investments Treaty (BIT) on Promotion and Protection of Investment.
- ii. Draft Agreement on the Promotion

- and Reciprocal Investment Protection between Pakistan and Bangladesh.
- iii. Draft of Pak-Saudi Agreement on Encouragement and Reciprocal Protection of Investment.
- iv. MOU between Board of Investment and Iranian Organization for Investment Economic and Technical Assistance (OIETA).
- v. Agreement between Republic of Korea and the Government of the Islamic Republic of Pakistan for the Promotion and Protection of Investments.
- vi. Agreement on Promotion and Protection of Investments between

- Pakistan and Thailand.
- vii. Agreement for Promotion and Protection of Investment between Pakistan and Ukraine.
- viii. Protocol on Technical Cooperation between General Investment Authority of Yemen and Board of Investment of Pakistan.
- ix. Draft Agreement on Reciprocal Promotion and Protection of Investment between Pakistan and Algeria.
- x. Agreement for Promotion and Reciprocal Protection of Investment between Pakistan and Hungary.



# Corporate Affairs

The Commission's Corporate Affairs are managed by the Administration, Accounts, and Information Technology & Human Resources departments that actively assist the functioning of the Commission. These departments handle matters pertaining to the internal operations of the Commission. The Management lays major emphasis on the improvement of the facilities, policies and procedures. Prominent improvements have been made in the areas of policy formulation, staffing, and information technology.

## Accounts Department



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

### **Outputs for 2012-13**

- Audit of 2011-12 by a Auditor General as well as by a firm of chartered accountants.
- Filing of tax returns and payment of outstanding tax liability for 5 years.
- Salary review of past 3 years and streamlining pay scales and proposing increase.
- Payment of salary through direct bank transfer.

## Administration Department



Prime function of the Administration is to provide a well disciplined administrative structure and to facilitate the Commission and its employees so as to perform their duties in a smooth and congenial environment. Its main responsibilities comprise of (i) general office management, (ii) assets management, (iii) transport management and security and safety management.

Prominent achievements of the Administration during the period are as follows:

- Establishment of state of the art conference room and library on the 9th floor of ISE towers;
- Refurbishment of the offices in the newly hired 9th floor;
- Purchase of new pool vehicles, furniture and computer equipment for the office;
- The filing system is being improved and new techniques have been adopted so as to expedite the processing of cases.

## HR Department

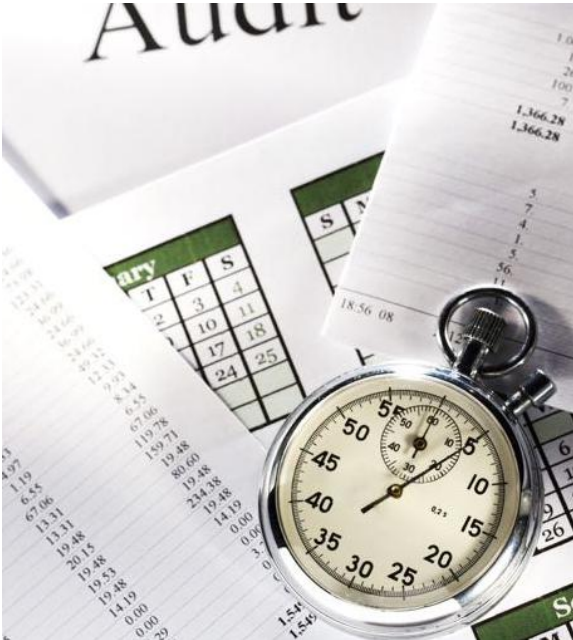


HR is involved in planning and assessment of the number of employees and the skill mix that will be needed in the future. HR is also involved in reviewing, designing and drafting the job description for current and prospective vacancies. Once an employee is recruited, HR conducts regular performance appraisals. To improve the efficiency level of the Commission's officers and staff, each employee is required to undertake relevant trainings and development programs. All trainings and development needs assessments are carried out by HR.

HR is actively involved in employer branding, which has resulted in bridging the gap between academia and the Commission. Accreditation with professional accounting bodies including ACCA and ICAEW reflects the commitment of HR towards projecting the Commission as a quality employer.

HR is also actively involved in revamping policies to make them more employee friendly. New SOP's have recently been devised and incorporated into the policy framework that governs the overall operations of the Commission.

# 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, controls and risk management in implementing agreed strategies across the organization. The function aims to add value, improve operational efficiency, economy and effectiveness of management process, risk management and internal control systems.

## **Performance during the Year:**

- Review of payroll processing, petty cash management and administration functions;
- Pre-audit of all the transactions;
- Audit of the Accounts and Administration departments of the Commission;
- Review of internal controls on financial transactions;
- Pre-audit of all final settlement cases of the outgoing employees of the Commission;
- Liaison with external auditors.

# Information Technology



The IT team manages and supplies all IT-related services to support the Commission's goal of increasing productivity and efficiency of its employees and help its advocacy functions. Recently, IT was focused on the automation of Legal/Court Cases, employees attendance record register, inventory assets and tracking and human resource profiles. IT is organized into three program areas: IT Infrastructure Group, Systems Development Group and Design/Multimedia Group.

# Highlights of Achievements



## UNCTAD PEER REVIEW REPORT COMMENDS CCP'S ACHIEVEMENTS

The Peer Review Report noted that the achievements of CCP, since its inception, are internationally recognized by the world competition community as well as by local businesses, media, the Government and civil society.



## CCP HOLDS 3RD INTERNATIONAL CONFERENCE

The International Conference was attended by renowned competition experts from all over the world.



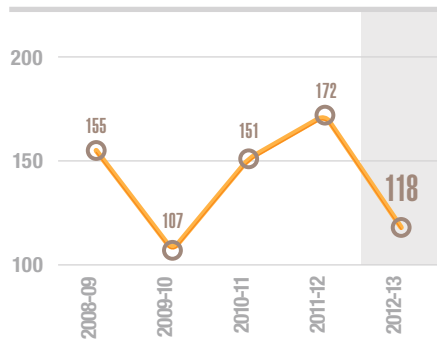
## CCP AWARDED A TWO-AND-A-HALF STAR RATING BY GCR

A two-and-a-half star rating to CCP, on the transparency, stability and procedural fairness of its decisions. CCP was awarded an 'Arrow-up' rating, which is awarded if an agency is thought to make excellent use of its resources and has surpassed its previous accomplishments.

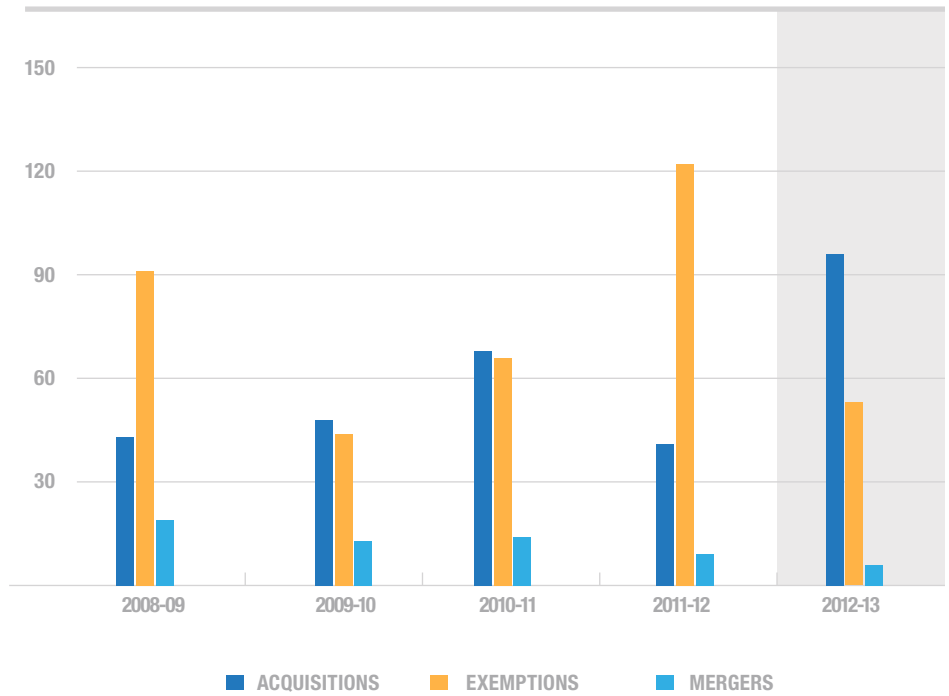


# APPROVALS GRANTED

TOTAL NUMBER APPROVALS GRANTED

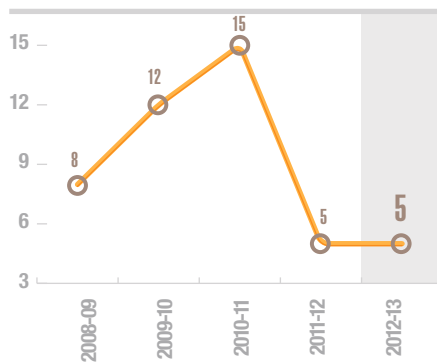


CLASSIFICATION OF CASES

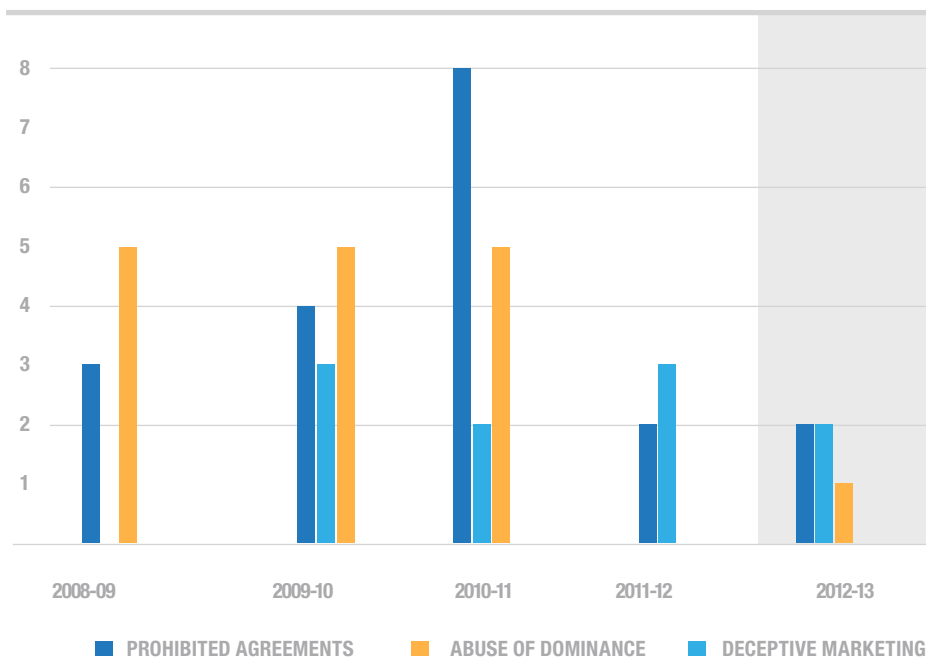


# ORDERS PASSED

TOTAL NUMBER ORDERS PASSED



CLASSIFICATION OF CASES



A large, stylized number '4' graphic in a light blue color, positioned on the left side of the page. The number is composed of thick lines and is set against a dark blue background.

# Tackling Cartels & Monopolistic Behaviour

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

# International Clearinghouse Case

## ORDER

### What is ICH Agreement?

ICH is an agreement amongst all (14) Long Distance & International (LDI) operators to terminate all incoming international traffic exclusively on the network of PTCL. The Agreement suspends all interconnection capacities of all LDI operators except for PTCL.

LDIs have agreed to terminate incoming international traffic at a fixed settlement rate of 8.8 US cents/minute.

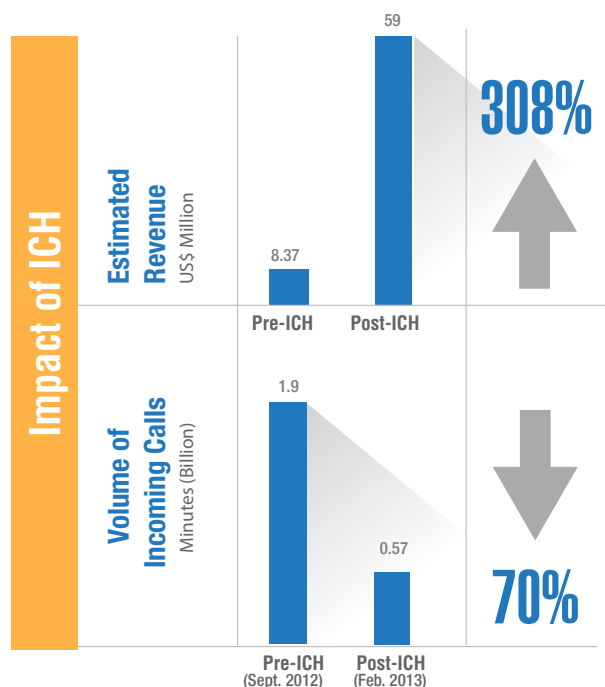
Share revenue among themselves as per agreed quota allocated to each LDI.

There are 14 companies licensed by Pakistan Telecommunication Authority (PTA) to operate as Long Distance & International (LDI) telecommunication service operators. The Ministry of Information Technology (MOIT), after unanimous agreement between the LDI Operators, issued a policy directive to PTA for establishment of an International Clearing House Exchange for international incoming calls for long distance international, fixed-line local loops, wireless local loops, and mobile operators.

PTA, in turn, wrote to the LDI Operators and fixed the Approved Accounting Rate (AAR), Approved Settlement Rate (ASR), and Access Promotion Contribution (APC). It also notified all Loop Operators to ensure the termination of international traffic only on the Pakistan Telecommunication Corporation's (PTCL) network. The Commission first issued a Policy Note, to MOIT and PTA, stating that the proposed ICH Agreement violated Section 4(2)(a) and 4(2)(b) of the Competition Act 2010 but found that the policy directive would not be withdrawn.

The Commission commenced proceedings against Long Distance & International (LDI) telecommunication service operators under Section 30 of the Competition Act, 2010 in pursuance of the Order passed by the Supreme Court of Pakistan on a Civil Appeal, (ADG LDI Private Limited vs. Brain Telecommunication Limited etc (BTL)) in the matter of International Clearing House (ICH) established for incoming international telecommunication traffic in Pakistan. On 21st February 2013, the Supreme Court directed the Commission to treat the Writ Petition filed by Brain Telecommunication Ltd. before the Lahore High Court as representation under the Competition Act and to decide the same within 15 days of the receipt of the said order by issuing notices and after hearing all the undertakings concerned and attending to the issues raised in the representation.

BTL's representation before the Commission was that the ICH Agreement among the LDI Operators essentially allowed the LDI Operators to fix the prices and allocate quota of incoming international calls amongst themselves in Pakistan in contravention of clauses 4(2)(a) & (b) read with subsection (1) of Section 4 of the Competition Act. The ICH Agreement was designed and implemented as a typical 'Cartel' in which there



## TIMELINE OF CASE

**1** SEPT  
2011

LDIs approach the Commission seeking exemption for ICH. They withdraw application before final order is issued.

**2** FEB  
2012

The Commission passes an Order noting the serious competition concerns of ICH. Says such agreement would attract the provisions of Competition Act.

**3** AUG  
2012

MoT announces Directive to establish ICH

**4** AUG  
2012

The Commission issues Special Order to PTA seeking confirmation regarding signing of ICH.

**5** AUG  
2012

The Commission issues policy note to MoT highlighting competition concerns. Recommends withdrawal of ICH.

**6** OCT  
2012

LHC suspends Directive of MoT to establish ICH.

**7** FEB  
2013

Decision of LHC is challenged in Supreme Court. Supreme Court directs the matter to the Commission to decide within 15 days.

**8** MARCH  
2013

Some LDIs file suit in the SHC. Argue that they were not party before the SC and only PTA has jurisdiction over the issue. SHC asks parties to maintain status quo.

**9** MARCH  
2013

Commission files contempt petition in SC against the LDIs that filed suit in the SHC.

**10** MARCH  
2013

SC suspends status quo order of SHC. Directs parties to appear before the Commission for disposal of the matter.

**11** APRIL  
2013

Commission declares ICH illegal.

**12** MAY  
2013

LDIs file petition in SHC against the Commission's order. SHC suspends operation of the Commission's order.

was no incentive for any LDI operator to improve sales or enhance quality of service or, for that matter, to invest in improving its network. Further, with fixed quota there would be far less incentive for any LDI Operator to bring in additional traffic from overseas operators.

A Bench comprising three Members of the Commission heard the parties in detail and passed an Order on 30 April 2013, in which the main observations about the ICH agreement were:

- **Price fixing:** The LDI Operators set a uniform ASR of 8.8 cents/minute for termination of incoming international calls by all the LDI Operators, which clearly indicated price-fixing. The post-ICH ASR was fixed by PTA with the consent of LDI Operators, and subsequently communicated by PTCL on their behalf to foreign operators as the final settlement rate. This meant that there was practically no permissible range/margin on offer or for foreign operators to bargain over. In the pre-ICH scenario, there was first a prior negotiation between foreign operators and LDI Operators and only then could PTA approve the ASR that allowed LDI Operators to compete within a permissible range available at that time.
- **Revenue sharing:** LDI Operators agreed to share revenue as per allocated shares. This meant that signatories to the agreement were pure rent seekers on the basis of their license only.
- **Anti-competitive:** The ICH Arrangement reduced choice, foreclosed the market, removed the incentive for better quality of service and the incentives for investments in improvement of infrastructure, reduced the size of the market and market players, conferred anti-competitive advantages, and was a clear threat to consumer welfare in total negation of the Telecom De-regulation Policy, 2003 as well as the provisions of the Competition Act, 2010.

The Bench upheld the finding of the Commission's policy note that the ICH Agreement was in contravention of clauses 4(2)(a), 4(2)(b) and 4(2)(d) and was, thus, void in terms of Section 4(3). It imposed a penalty of 7.5% of the annual turnover of each LDI for violation of Section 4 of the Competition Act, 2010. LDI Operators were directed to cease and desist from this prohibited practice and not to enter into any other agreement of similar nature having object or effect of restricting competition. The telecom regulator, PTA, was advised to ensure restoration of competition amongst the LDI Operators as it existed prior to implementation of the ICH Agreement.



# Institute of Chartered Accountants of Pakistan

## ORDER

In September 2012, the Commission issued a Show Cause Notice to Institute of Chartered Accountants of Pakistan (ICAP) for, prima facie, violation of Section 4 of the Act because of ICAP's Directive of 4 July 2012, which prohibited ICAP's members and their accountancy firms from offering training opportunities to non-ICAP accountancy students.

On 10 January 2013, the Commission issued an order in the matter of a prohibition imposed by the ICAP on the training of non-ICAP accountancy students by ICAP-approved training organisations. In its Order, the Commission declared ICAP's prohibition to be in contravention of Section 4 of the Competition Act, 2010 and hence to be without any legal force, fined ICAP PKR 25 million for the violation, and restrained ICAP from issuing similar directives to its members in the future.

The Bench reached the following conclusions:

- When ICAP issued the July Directive, it acted as an association of undertakings and that the July Directive was in violation of Section 4 of the Act. The Bench observed that the July Directive forecloses, shuts out, and precludes not only a large but the most valuable segment – the public practice accountancy firms – of the relevant market for the non-ICAP students.
- The July Directive also acted as a

barrier to entry to the ancillary market of accountancy services that is crucial to the business environment and the economy as a whole. Such a prohibition by ICAP, to protect its own economic interests, would stunt the growth in the accountancy services sector and reduce choices available in the market.

- While ICAP could and should regulate its own students and the quality of training imparted by its approved accountancy firms, it could not prohibit these firms, most of which are also approved employers of other accountancy bodies, from training non-ICAP students. Globally accountancy firms act as approved employers of multiple accountancy bodies and ICAP should act in sync with the industry practice, rather than creating a hegemony for itself.
- According to the Institute of Chartered Accountants England and Wales (ICAEW), ICAP's directive appeared to place protectionism above both professional and national interests. These were better served by strengthening the profession in Pakistan by maintaining an open environment to encourage continual investment and improvement. The accountancy market in Pakistan would be strengthened not by protectionism but by allowing open competition.

THE 'JULY DIRECTIVE': ICAP ISSUED A DIRECTIVE IN JULY 2012 WHEREIN IT ADVISED ALL THE CHARTERED ACCOUNTANCY FIRMS AS WELL AS ITS MEMBERS TO REFRAIN FROM ENGAGING TRAINEES OF OTHER ACCOUNTING BODIES, PARTICULARLY TRAINEES OF FOREIGN INSTITUTES OF CHARTERED ACCOUNTANTS OR ANY OTHER ACCOUNTING BODY OF SIMILAR NATURE.

# Unreasonable Increase in Price of Urea Fertilizer

## ORDER

The Commission took suo moto notice of a price increase by the urea manufacturers in Pakistan and constituted an inquiry committee to identify whether the price increases were anti-competitive.

The inquiry report found that between December 2010 and December 2011, all seven urea manufacturers increased prices by 86%. It went on to analyse cost components like (i) gas curtailment (ii) input costs (iii) profit margins and (iv) subsidies, government policies etc., to determine if the price increase was justified. The report concluded that all the undertakings were found to be individually as well as collectively dominant and abused this dominance by raising prices in violation of Section 3(3)(a) of the Competition Act, 2010. Based on the findings of the inquiry report, show cause notices were issued to urea manufacturers and after conducting detailed hearings, a bench of the Commission passed an order.

The bench determined whether each undertaking had the market power to effect, influence or initiate a price change in the market. In this regard, it found that Engro Fertilizer and Fauji Fertilizer Company (FFC) were dominant in the market. All the other undertakings were found by the Bench to be lacking in the ability of being the agents of unreasonable price increases in the relevant market and were therefore not found to be individually dominant.

The bench took into consideration many factors including local concerns: the nature



of Urea as an essential commodity; its importance to the farmer and agricultural growth; and the Government's subsidy given to the undertakings. It also compared indicators, such as profitability, for the urea industry in other developing countries like India. FFC was found to have more than doubled its net profits from around PKR 11 Billion in 2010 to PKR 22.5 Billion in 2011. Its Return on Equity (ROE) after tax of 97.5% was well above the ROE after tax of similar undertakings in agro-based economies like Pakistan. As a comparative, the ROE after tax in India has an upper ceiling of 12%.

Both FFC and EFL argued that the increase in prices was in large part due to gas curtailment to their plants by the government. In respect of EFL the bench observed in the light of a case of excessive pricing in Turkey that plummeting profits or even a loss registered by an undertaking doesn't imply that it cannot abuse its dominant position. The bench looked at the increase in gross profits as they neutralized the effect of its debt obligations. The gross profits of EFL went up by more than 80% from 2010 to 2011, furthermore the increase in its Profit before Interest and tax (121%) was even greater than that of



<b>Prices of Urea</b> between 2010 to 2011		↑	<b>86%</b>	
	PBIT <sup>1</sup> from 2010 to 2011		Government Subsidies <sup>2</sup> from 2010 to 2011	Penalty Imposed <sup>3</sup>
<b>FFC</b>	95 % ↑		11.0 Bn	5.5 Bn
<b>EFL</b>	121 % ↑		4.5 Bn	3.1 Bn

FFC and EFL abused dominant position by raising prices of urea above competitive levels

FFC (95%), implying that in the absence of EFL's debt obligation, with these prices prevailing it would have seen a tremendous increase in after tax profit just as FFC.

The government's subsidy to these undertakings was also a key factor. FFC was given a subsidy of PKR 11 billion and EFC an amount of PKR 4.5 billion to help them keep prices at reasonable levels but to no apparent effect.

In light of the above, the bench found that both FFC and EFL took advantage of a lack of competition in the relevant market and continued to increase prices exceeding

the level that would have prevailed in a market with appreciable competition. By so doing, both undertakings had abused their individual dominant position in contravention of Section 3(3) (a), of the Act.

Based on its findings and the quantum of subsidy given to FFC and EFL, the Bench imposed a maximum penalty provided for under the Competition Act on both EFL and FFC i.e., 10% of their individual turnover and translating to sums of PKR 3.14 Billion and PKR 5.5 Billion, respectively, for abusing their individual dominant positions in violation of the Competition Act.

### Does such action make the Commission a price regulator?

It is important to remember that the Commission is not a price regulator and the subject action was only to regulate the anti-competitive behavior, whereby it was found that dominant undertakings in the relevant market abused their dominance through excessive pricing/unreasonable price increase, which is expressly prohibited under Section 3 of the Competition Act, 2010.

# Indus Motor Company Limited

## ENQUIRY REPORT

### Relevant Market

1300 cc to 1600 cc passenger car market

### Dominance

Indus Motor Company was found to be in a dominant position in the relevant market.

### Abuse of Dominance

IMC abused its dominant position by imposing unfair terms and conditions in the Provisional Booking Order.

The Commission took suo moto notice of the terms and conditions in the Provisional Booking Order (PBO) issued to customers for the purchase of new vehicles by an authorised dealer on behalf of Indus Motor Company (IMC). PBO is a standard form contract entered into by IMC with its customers comprising terms and conditions including price, design, specification, cancellation and delivery among other terms and is non-negotiable at any time. The terms imposed appeared to be unfair and in violation of Section 3 (3) (a) of the Competition Act, 2010.

The inquiry report found that IMC had a dominant market share in the passenger car market in the 1300 cc-1600 cc category. Because of this, IMC could behave relatively independently of its competitors and customers.

The terms and conditions mentioned in the PBO were skewed towards the undertaking and caused a significant imbalance in the parties' rights and obligations to the detriment of customers. For example, IMC reserved the right to alter the design, construction specification and price and delivery schedule of the vehicles without notice at its sole discretion. Similarly, IMC also reserved the right to change the price the customers must pay on delivery at any time without any prior notice to them. The customer was never clear of the vehicle's final price until the time of delivery, despite making a complete payment. Initially, IMC had the sole and absolute discretion to accept or reject the request of cancellation by the buyer. If for some reason, IMC failed to deliver the vehicle as ordered or on time, the buyer could not cancel the contract. It was entirely at the discretion of IMC and

the buyer would be bound to take delivery of the vehicle on full payment for the same. Finally, in any dispute between the parties, IMC's interpretation of terms and conditions would be final.

The terms and conditions mentioned in the PBO appeared to be unfair trading conditions imposed on customers by IMC in terms of Section 3(3)(a) of the Competition Act, 2010 and consequently, the undertaking was issued a show cause notice. During the course of the hearing, IMC requested the Bench to allow them to amend the terms and conditions of its booking order and submitted a revised draft booking order in compliance of the provisions of the Competition Act.

The amended terms and conditions were:

**Cancellation rights.** IMC relinquished its unilateral right to reject the request for cancellation by the buyer and also waived any charges should the cancellation be based on an unsatisfactory change in price or delivery schedule.

The ability to cancel is an important tool for consumers. This rectification, thus, gave the consumer flexibility to cancel the booking at no extra expense if they were not satisfied with any changes made in the initial agreement pertaining to price or delivery schedule.

**Right to the alter terms.** In the original PBO, IMC had the sole right to alter some or all terms and conditions of PBO and also the right to interpret them conclusively. Such clauses were used to force the buyer to accept increased costs, new requirements, or reduced benefits,



and were therefore considered unfair, whether or not it was meant to be used in that way. This clause was removed from the revised draft PBO.

**Change in design/specification without notice.**

Initially, IMC held the sole right to change the design, construction specification without notice to buyers. Such a clause gave power to Indus Motor to substitute something different from what it had actually agreed to supply. During the hearing, it was explained to the Bench that change in specifications of the vehicle could take place due to constant advancement in technology or under the direction of the government. In light of this discussion, PBO was revised, which specifically mentions that IMC may make minor alterations to the design and construction specification of the vehicle, and make such alterations in the vehicle as required by any Federal and/or Provincial legislation.

**Right to change price without notice.**

The revised PBO specifically mentioned that revision of prices would only result from a change, if any, in Government levies/taxes and/or currency fluctuation.

**Dispute resolution.** Any dispute between the customer and IMC would henceforth be referred to an Arbitrator to resolve and settle the matter under the Arbitration Act, 1940, of Pakistan, thus giving fair and equal rights to both parties.



TERMS & CONDITIONS OF PROVISIONAL BOOKING ORDER

- i. IMC had the right to change the price before delivery without notice and the customer was liable to pay.
- ii. IMC had the right to alter the design, construction specification and price and delivery schedule without notice and at its own discretion.
- iii. In case of dispute between parties, IMC's interpretation of the terms and conditions was final and conclusive.

# 7AAYS Corporation v National Transmission and Dispatch Company and others

## ENQUIRY REPORT

The 7AAYS Corporation wrote to the Commission saying that the National Transmission and Dispatch Company (NTDC) was limiting competition in the procurement of power transformers by specifying that they should be equipped with On Load Tap Changer (OLTC) made by Maschinenfabrik Reinhausen Germany (MR-Germany). There were several manufacturers of OLTCs globally who were unable to participate in the procurement process as a result of this specification. Also, doing so was in violation of the Public Procurement Regulatory Authority's Rules.

7AAYS also pointed out that MR-Germany's OLTC constituted 15% to 20% of the cost of a transformer, whereas for other brands, this cost ranged from 5% to 10%. Therefore, transformers equipped with MR-Germany OLTCs cost more, even though other comparable OLTCs met the specifications at a lower cost, resulting in savings.

Some of the other concerns raised by 7AAYS were that NTDC was ignoring discounts given by other bidders, extending advertisement dates, delaying tenders, and rejecting OLTCs manufactured by anyone other than MR-Germany.

After an inquiry, the Commission issued Show Cause Notices to NTDC, Lahore Electric Supply Company (LESCO), Faisalabad Electric Supply Company (FESCO) and Multan Electric Power

Company (MEPCO) for, prima facie, abuse of dominance and collusion in the procurement of various categories of auto/power transformers in violation of Section 3 and Section 4 of the Competition Act.

The inquiry report found that NTDC holds dominant position in the market for procurement of 220 and 500KV transformers. FESCO, MEPCO and LESCO are all dominant undertakings in the market for procurement of 132 KV transformers.

The three distribution companies were also restricting competition and imposing an unfair trading condition on the suppliers of transformers by unnecessarily mentioning a particular brand i.e. MR Germany, in the bidding documents, despite the fact that a complete International Electro-technical Commission (IEC) specification exists for the same, by insisting that the bidders supply transformers equipped with MR Germany's OLTC, and by rejecting the bids of the suppliers of transformers equipped with any other brand of OLTC.

NTDC said that MR-Germany's OLTC had been recommended because of its quality, performance, and long life. NTDC claimed that the mention of MR-Germany was more descriptive and should not be taken as restrictive. Nonetheless, evidence indicated that when the tenders were evaluated, those with an OLTC other than MR-Germany were being rejected.

### What is dominant position?

Section 2(1)(e) of the Competition Act defines dominant position as:

"dominant position of one undertaking or several undertakings in a relevant market shall be deemed to exist if such undertaking or undertakings have the ability to behave to an appreciable extent independently of competitors, customers, consumers and suppliers and the position of an undertaking shall be presumed to be dominant if its share of the relevant market exceeds forty percent".

LESCO, MEPCO and FESCO had submitted that they were following the instruction of NTDC's Design Department. The inquiry report noted that the role of NTDC was that of a consultant and DISCOs were not under any obligation to follow its instructions. So, by imposing a restrictive trading condition with regard to supply of transformers, the Distribution Companies had entered into a prohibited agreement in prima facie violation of section 4(2)(a) of the Competition Act. The Commission noted that similar restrictive conditions had been found in other similar bids by other procuring agencies in the power sector.

Considering that NTDC specifications are not internationally known and foreign manufacturers had no way of knowing the pre-requisites for bidding beforehand, this requirement had the effect of denying the complainants and other qualified suppliers a level-playing field. The Commission advised NTDC that the inclusion of the above pre-requisite appeared to hinder competition in the market, not only at the cost to suppliers who were denied the opportunity to bid, but also the NTDC itself and the national exchequer.

In response, NTDC acknowledged the competition concern and resolved the matter by amending the bidding document. As per the amended bidding documents, all type tests carried out by testing

laboratories having ISO certification and duly witnessed by qualified representatives of earlier clients or purchasers shall be entertained, and in case of any shortcomings in these type test reports, the same shall be carried out without any additional cost and without affecting the delivery schedule, from any one of the seven (7) laboratories listed in the bidding document. Furthermore, it stated that an OLTC of any make with technical data/specifications at par with the make MR-Germany would be taken as equivalent and would be acceptable.

### **Complaint**

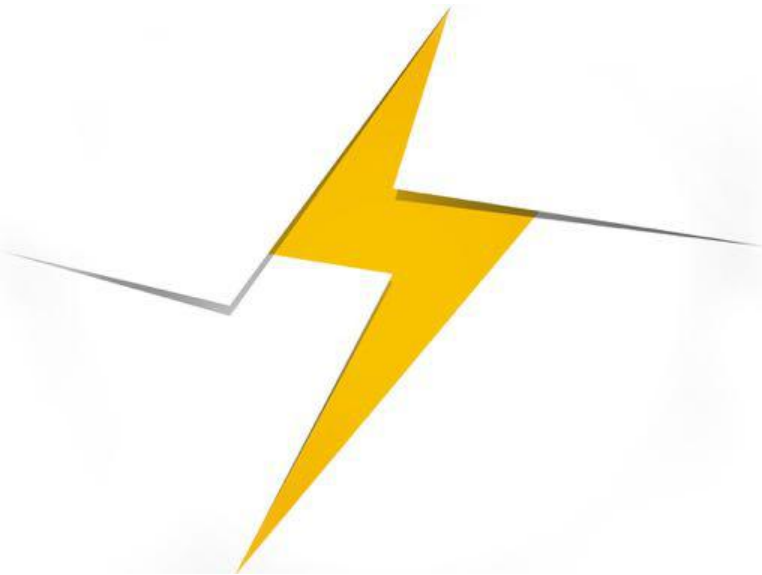
Filed by 7AAYS Corp against NTDC.

### **Allegation**

Monopoly in procurement of Power/ Auto transformers to MR-Germany.

### **Conclusion of Enquiry Report**

NTDC, FESCO, MEPCO,LESCO are prima facie abusing their dominant position.





# Preventing Deceptive Marketing

Section 10 prohibits businesses from:

Engaging in marketing practices which could mislead or deceive consumers.

The distribution of false or misleading information that can harm consumers or the business interests of another undertaking.

False or misleading comparison of goods in the process of advertising.

Fraudulent use of another's trademark, firm name, or product labeling/packaging.



# Complaint By DHL Pakistan

## ORDER



DHL Pakistan complained to the Commission that some individual undertakings providing mail and package delivery services were using DHL's stylised and artistically created logo and trademark without permission or authorisation.

The Commission began an inquiry and an inquiry officer visited the location of the seven individuals' offices to verify the complaint and gather photographic evidence. Based on the findings, show cause notices were sent to seven individuals.

During the hearing, some of the respondents denied the authenticity of the pictures in the enquiry report, and said that they had discontinued the use of the DHL trademark in 2008. When told that the pictures had been taken during the inquiry in September 2011, plausible explanations were not easily forthcoming. One individual even said that DHL had encouraged the use of its trademark earlier, but now was penalising him. There was nothing given by him to corroborate his claim.

A common defence by the individuals was that they had no knowledge about the Competition Act and that they had no wilful intention to deceive any person in any manner whatsoever. However, the Commission was of the view that ignorance of law was not a valid justification or defence.

The Commission's bench noted that said the Respondents were capitalising on the goodwill attached to DHL's trademark by misleading the consumers through the deceptive logo and were capable of harming the business interest of the Complainant in terms of Section 10 of the Act. Consequently, the bench grouped the Respondents into four categories and treated them accordingly.

- i. Those who stopped using DHL's trademark after receiving the Commission's notice were only reprimanded and no penalty was imposed on them as they were forthcoming with their conduct.
- ii. Those who did not stop using DHL's trademark but continued to route courier packages through them was charged a penalty of PKR 500,000 as their practices were misleading and deceptive in terms of Section 10.
- iii. Those who continued to use the DHL trademark and could not prove equivocally that they had stopped doing so or were routing courier packages to DHL were charged a penalty of PKR 1 million.
- iv. Those who continued using the trademarks that were similar to DHL's were also charged a penalty of PKR 1 million, as their trade-marks were misleading and could be mistaken as the trademark of DHL by consumers.



# Engineering Universities in Pakistan

## ORDER



The Commission initiated an inquiry into possible deceptive marketing by various engineering institutes, which were making false claims of accreditation with the Pakistan Engineering Council (PEC), were in essence, not accredited by PEC.

In 2011, advertisements by 27 engineering institutes in different Newspapers claimed that they were accredited by PEC. These advertisements were published in a manner so as to capture the attention of the reader. The claim 'approved/ permitted/ allowed or accredited by PEC' gave an impression that the relevant course was accredited for the year in which the advertisement was published.

As the Commission held meeting with PEC to discuss the matter it came to know that facts were altogether different. The institutes were not accredited for that particular year. They were either accredited in previous years, or were in the process of obtaining accreditation or reaccreditation from PEC.

Based on its findings the Commission issued Show Cause Notices to these 27 institutes for a prima facie violation of Section 10 of the Competition Act, and after hearings, issued its order. The Order categorised the engineering institutes into three groups:

There were 15 institutes that had ensured their accreditation prior to the graduation of their students. None of the students who had graduated so far were without an accredited programme degree and were eligible for registration with PEC as qualified engineers. The Commission took a lenient view in their case and did not impose any penalty. They were told to file written commitments to rectify possible deceptive behaviour and ensure all disclosure requirements in future advertisements.

There were seven that had claimed to be 'approved', 'permitted', 'recognised' or "allowed instead of outright claiming to be "accredited" by the PEC. The Commission took a lenient view against these and told them to give the details of the respective status of each of their programmes in advertisements, including the date on which the engineering programme was approved by the PEC, or whether PEC had begun the process of accreditation.

Finally, there were five institutes where students had not received an accredited programme degree after graduation. The Commission imposed a penalty of Rs 5 million on each of them as it was severe violation of the rules.

## Section 10

### Deceptive marketing practices

(1) No undertaking shall enter into deceptive marketing practices.

(2) The deceptive marketing practices shall be deemed to have been resorted to or continued if an undertaking resorts to –

(a) the distribution of false or misleading information that is capable of harming the business interests of another undertaking;

(b) the distribution of false or misleading information to consumers, including the distribution of information lacking reasonable basis, related to the price, character, method or place of production, properties, suitability for use, or quality of goods;

(c) false or misleading comparison of goods in the process of advertising; or

(d) fraudulent use of another's trademark, firm name, or product labelling or packaging.



## Fruit Farm Juice 100% Pure

### COMPLIANCE CASE



The Commission took notice of the marketing campaign of Sunland Foods, who claimed that their juice, Fruit Farm, was 100 % pure fruit juice. The ingredients showed that the juice contained preservatives and colours contradicting the claim of “100% pure juice.” The Commission found the claim of “100% pure juice” to be inaccurate and unjustifiable based on the fact that the juice contained additives.

Sunland Foods was directed to refer to the order for Al-Hilal Industries for their product Fresher juice in which the precedent had been set for the marketing of alleged 100 % pure juices without reasonable substantiation. Sunland Foods agreed to change their packaging and remove the claim of 100 % pure from all forms of marketing for their brand Fruit Farm. Sunland foods requested a relaxation till October 2013 to utilize the existing stock and order new packaging.

Noting the cooperation extended by Sunland Foods, the Commission, owing to its compliance oriented approach, particularly in OFT matters, did not impose any penalty and granted them the requested extension.



## Indus Motor Company

### COMPLIANCE CASE



The Commission took notice of the marketing campaign of Indus Motor Company Ltd. (IMCL) on the comparison of used imported cars with new cars. Certain claims had been made namely “Engine not suited for Pakistani fuel”, “Suspension not durable for Pakistani roads”, “tampered meter”, “dented/painted body”, and “expensive spare parts”. The Commission asked IMCL to substantiate their claims as making absolute claims without reasonable justification or basis is prohibited under Section 10 of the Competition Act, 2010.

IMCL said that information regarding the condition of imported used cars, which was present on auction websites, was not available to the final consumer, so their marketing campaign was launched to educate consumers regarding various aspects to consider when making a purchase decision. IMCL were able to substantiate three of their claims-“Parts not readily available”, “Expensive spare parts” and “Poor resale value” by presenting the results of a company survey that verified the aforementioned claims with data. However, the other claims remained unsubstantiated owing to the fact that they had made generalizations based on stand-alone instances.

IMCL were told to modify the claims they made without reasonable justification. Later IMCL submitted that they had opted to discontinue the advertisement campaign and further gave the assurance that they had duly noted the views of the Commission and will bear them in mind for future campaigns that the company may launch. The case was disposed off with the receipt of this undertaking.



# Atlas Battery Misleading Claims in Advertisement

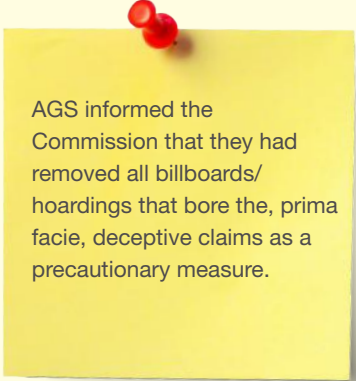
## COMPLIANCE CASE



The Commission received a complaint filed by Exide Pakistan Ltd against M/s Atlas Battery Pvt Ltd, (AGS) for, prima facie, violation of Section 10 of the Competition Act pertaining to deceptive marketing practices. It was alleged in the complaint that Atlas Battery is making the claim “AGS powers 100 % Toyota, Honda and Suzuki” and “AGS powers 78 % national bikes” with reference to its battery under the brand name AGS without justification.

The Commission directed AGS to verify the absolute claims, in response to which AGS submitted battery production figures for the year July 2011- June 2012 and the vehicle production figures of Pakistan Automotive Manufacturers’ Association. They submitted that Honda Atlas cars both City and Civic (the only Honda cars assembled in Pakistan the rest being imported) are fitted with Atlas Battery and that AGS powers 100 % Corolla Brand of Toyota and 100 % Suzuki Swift Brand of Suzuki. With reference to the claim “AGS powers 78 % national bikes” they submitted figures from Monthly Mark Magazine and Engineering Development Board according to which total bikes manufactured in Pakistan from July 2011 to April 2012 were 1,277,979 out of which Atlas Battery supplied 1,115,225 batteries; which is 87.3 % of national bikes and that the figure had been understated to 78 % as the advert did not account for two months of sales.

AGS informed the Commission that they had removed all billboards and signs with the deceptive claim as a precautionary measure. The Commission appreciated AGS’ willingness to remove all billboards that were in violation of Section 10 and advised them to continue their marketing campaign after making certain modifications to their adverts.



AGS informed the Commission that they had removed all billboards/hoardings that bore the, prima facie, deceptive claims as a precautionary measure.

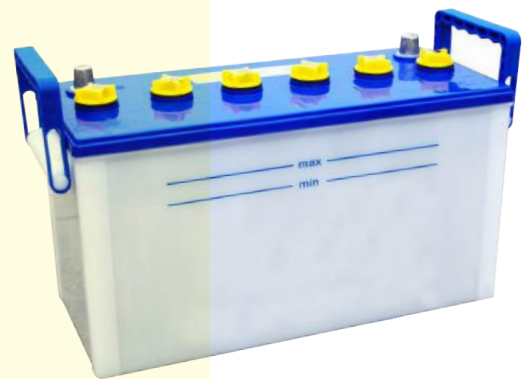
# Complaint Filed By Exide Against Osaka Batteries



## COMPLIANCE CASE

Exide Pakistan complained to the Commission against Pakistan Accumulators Ltd. (PAL), a manufacturer of automotive batteries under the brand name “Osaka”, on their television advertisements in which they claimed “*Pakistan ke sab se bari battery banany wali company*” (Largest battery manufacturer in Pakistan) and for claiming that they use “*Jadeed Japani technology*” (latest Japanese technology). According to Exide Pakistan Ltd, both these claims were incorrect and violated Section 10 the Act as they were misleading the consumers as well as harming the business interest of other battery manufacturers.

The Commission directed PAL to prove the claims made in their advertisement but they were unable to do so in most of the claims. PAL was directed to remove the, prima facie, deceptive claims. Following which, PAL submitted that the claim “*Pakistan ke sab say bari battery bananey wali company*” had been excluded from the ad campaign and they further agreed to remove the claim “*Jadeed Japani Technology*” when the advert would be on air again. The Commission concluded the case. With the receipt of this written assurance, the case was disposed off.



# Reckitt & Benckiser – Mortein Spray

## COMPLIANCE CASE



### Deceptive Claims regarding Mortein Spray

“100% protection/elimination of mosquitoes”

“Continues killing for up to one week”

“Nothing kills faster”

### Modifications recommended by the Commission

“100% elimination/protection from mosquitoes”, disclose in TV advert that claim is only applicable after keeping doors and windows closed for 20 minutes.

“Continues killing for up to one week” appear in conjunction with disclaimer “when applied to surfaces”

“Nothing kills faster” appear in conjunction with disclaimer “compared to previous Mortein”.

The Commission took notice of the marketing campaign of Reckitt Benckiser (R&B) in which certain absolute claims being made in the marketing of their product Mortein Power Guard All Insect Killer (Mortein Spray) such as “100 % protection/elimination of mosquitoes”, “Continues killing for up to one week” and “Nothing kills faster” could be potentially deceptive. Since mosquito repellents typically contain harmful chemicals, and in light of the Dengue epidemic, which was at its peak at that time, the Commission deemed it pertinent to direct R&B to substantiate its claims through lab reports and/or studies that it may have conducted in support of these claims.

R&B provided a complete lab study that would form the basis of the aforementioned claims. The report was conducted by Agrisearch Services Pvt Ltd in Australia. As per the report titled “Comparison of Bioefficacy of Mortein Coil, LED and Aerosol Treatments with Various Coil, Mat and Aerosol Treatments Against Aedes Aegypti” the claim ‘100% protection/elimination of mosquitoes’ was based on ‘cumulative mortality and knockdown counts’ and was effective after keeping doors and windows closed for 20 minutes after spraying in a small sized room. The claim ‘Continues killing for up to one week’ was stated on the front face of the packaging of a can of Mortein Spray with the disclaimer of “when applied to

surfaces” which was stated in fine print at the back. Similarly, the front face of a can of Mortein Spray bore the claim “Nothing Kills Faster” while the disclaimer at the back in fine print read “Compared to previous Mortein”.

R&B were directed to give clear and unambiguous disclosure to the consumer without any use of breaks or fine print. To this extent, they were directed to modify the claim(s) of “Continues killing for up to one week” and “Nothing kills faster” in conjunction with their respective disclaimers “when applied to surfaces” and “compared to previous Mortein”. With respect to the claim “100 % elimination/ protection from mosquitoes” R&B was directed to disclose in their televised advert that this claim is only applicable after keeping doors and windows closed for 20 minutes.

R&B gave the assurance that the previous commercial will not be aired and that in future consumers will be informed about the recommended usage of Mortein. In addition, they committed to completely removing the claim ‘Nothing kills faster’ from all future campaigns and packaging. They also agreed to amend the claim “Continues killing for up to one week” so that it appears in continuity with the disclaimer i.e. continues killing for up to one week when applied to surfaces’.



# Reviewing Mergers, Acquisitions and Joint Ventures

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

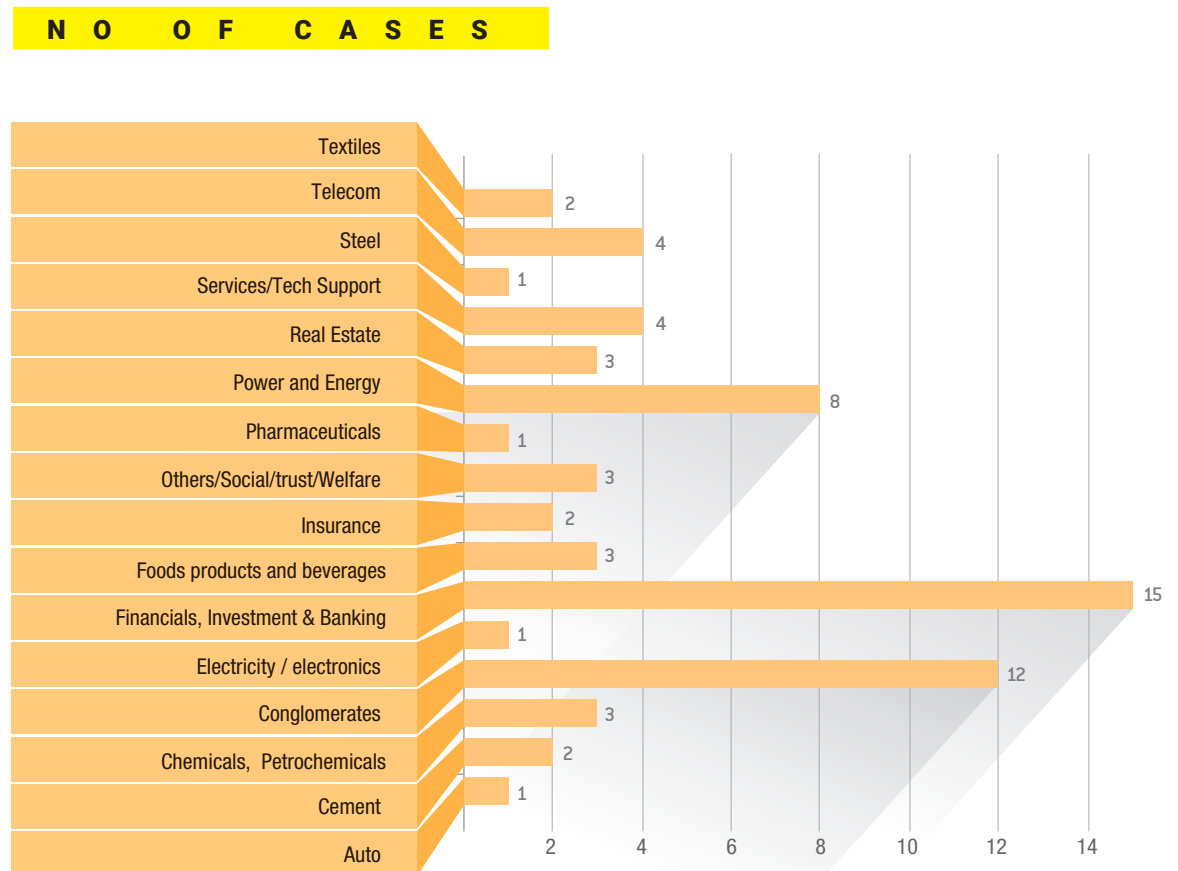
An effective pre-merger review requires a careful analysis of the impact of a merger on competition before it takes place. Section 11 of the Act and the pre-merger notification requirements of Section 4 of the Competition (Merger Control) Regulations, 2007, stipulates pre-merger notifications thresholds, based on the size of the transaction and the parties. Once an intended merger/acquisition meets the notification thresholds it becomes mandatory on the parties to notify it to the Commission. A filing fee set at levels depending on the size of the merging parties is payable upon notification.

Typically, most of the mergers reviewed by the Commission pose little or no threat to competition and are issued No Objection Certificates within the Phase-I review,

i.e., within thirty days of the application. But if the possibility of competitive harm is identified in a transaction, a more in-depth investigation, also known as a Phase-II review, becomes necessary. The Commission has policies and procedures to identify and remedy competitive issues in such cases within a period of ninety days, once Phase-II enquiry commences.

During the year under review, 65 merger applications were received, which include 58 acquisitions, 6 mergers & 1 Joint Venture. All were cleared in the initial review at Phase-I, given their minimal impact on competition, except one case regarding acquisition of Nutrition Business of Pfizer Inc. by Nestle S.A, which was moved to Phase-II review.

## Sectoral Classification of Merger Cases



## **ACQUISITIONS**

1	Acquisition of 57,773,885 shares representing 25.43% shares of Pioneer Cement Limited by Vision Holdings Middle East Limited.
2	Acquisition of 100% equity interest in Gavilon Holdings LLC, USA by Marubeni Corporation, Japan through its wholly owned subsidiary Gold Marble Investment, Inc.
3	Acquisition of 100% shareholding of Rozgar Microfinance Bank Limited by Pakistan Telecommunications Company Limited
4	Acquisition of 21,739,131 (13%) ordinary shares of Kashf Microfinance Bank Limited by Aman Foundation
5	Acquisition of 99.33% shareholding of Dawood Power Private Limited by Hydrochina International Engineering Company Limited
6	Acquisition of 13.4% shares of Kashf Microfinance Bank Limited by Acumen Fund Pakistan
7	Acquisition of 4,370,675 shares (9.87% shareholding) of Atlas Insurance Limited by Shirazi (Pvt) Limited
8	Acquisition of 5,260,868 shares (3% of the shareholding) of Kashf Microfinance Bank Limited by Kashf Foundation
9	Acquisition of 21% (5,850,765) shares of Haleeb Foods Limited by VMFG Private Limited
10	Acquisition of 79.87% shares of Agritech Limited by a Consortium comprising National Bank of Pakistan, Pak Brunei Invest. Co. Ltd, Summit Bank Ltd, Faysal Bank Ltd, Standard Chartered Bank, KASB Bank, NIB Bank, ABL, UBL, Silk Bank, Askari Bank, HBL, Saudi Pak Ind. & Agri Invest. Company, Pak Libya Holding Company, Al Baraka Bank, Bank Al Falah, Pak Oman Invest. Company & Soneri Bank Limited
11	Acquisition of 75.81% shares of M/s. ICI Pakistan Limited by a consortium comprising Lucky Cement Limited, Gadoon Textile Mills Limited, Yunus Textile Mills Limited, Lucky Textile Mills Limited and Y.B. Pakistan Limited
12	Acquisition of 100% shares of M/s. SHV Energy Pakistan (Pvt) Limited by M/s. Pak-Arab Refinery Limited
13	Indirect acquisition by IMDB Energy SDN BHD, Malaysia of 23.2 % shareholding in Fauji Kabirwala Power Company Limited through the acquisition of the entire issued and paid up share capital of Tanjong Energy Holdings Sdn Bhd, Malaysia
14	Acquisition of 6.68 million ordinary shares of M/s. i2 Pakistan (Private) Limited by Mr. Yaser Mohammed Saleh Al Aqeeli Al Marzooq, an individual
15	Acquisition of the Nutrition Business of Pfizer Inc. by Nestle S.A.
16	Acquisition of 69.22% shares of Burshane LPG (Pakistan) Limited by H.A.K.S. Trading (Private) Limited
17	Acquisition of 100% shares of Super Dialogue (Private) Limited by M/s. Nayatel (Private) Limited
18	Acquisition of 100% shares of M/s. Metrotel (Private) Limited by M/s. Nayatel (Private) Limited
19	Acquisition of 364,937,174 (79.20%) ordinary shares of Kashf Microfinance Bank Limited by FINCA Microfinance Cooperatief U.A., Netherlands
20	Acquisition of 93% shares of M/s. Karot Power Company (Private) Limited by M/s. China Three Gorges South Asia Investment Limited.
21	Acquisition of M/s. Bow Energy Resources Pakistan (SRL) as a result of cross border acquisition of 100% shares of M/s. Oasis Natural Energy Inc., USA by M/s. Gold Trade Group Limited, UK
22	Acquisition of certain assets and liabilities comprising of credit cards (excluding commercial and corporate credit cards), automobile loans and unsecured personal loan assets and liabilities of Citibank N.A. Pakistan Branch by Habib Bank Limited
23	Acquisition of entire issued paid up capital together with all rights in petroleum concessions and assets of M/s. MND Exploration and Production Limited, UK by Pakistan Petroleum Limited
24	Acquisition of 24.99% shareholding of M/s Dynea Pakistan Limited by M/s Dynea Asia Pacific Holding Pte. Ltd., Singapore
25	Acquisition of 70% shareholding of M/s DH Fertilizers Limited by M/s Pakarab Fertilizers Limited
26	Acquisition of 100% shareholding of M/s Mira Power Limited by a consortium comprising M/s. Korea South East Power Company Limited, Sambu Construction Company Limited, Lotte Engineering & Construction Co. Limited and STX Construction Company Limited
27	Acquisition of 24.82% shares of BankIslami Pakistan Limited by Emirates National Bank, Dubai PJSC.
28	Acquisition of whole of the shareholding of Askari Cement Limited by Fauji Foundation from Army Welfare Trust
29	Acquisition of Army Welfare Trust's shareholding of 50.57% in Askari Bank Limited by Fauji Foundation
30	Acquisition of 50% shares of Metro Wind Power Limited by InfraCo Asia Keenjhar Wind Pte Ltd., Singapore
31	Acquisition of 49% shares of Gul Ahmed Wind Power Limited by InfraCo Asia Indus Wind Pte Ltd.
32	Acquisition of all of the issued and outstanding shares of M/s Sanyo Electric Co. Ltd., Japan by M/s Panasonic Corporation, Japan
33	Acquisition of 50% shares of Bulleh Shah Packaging (Private) Limited by Stora Enso South Asia Holdings AB
34	Acquisition of joint control over M/s. S.L. Solutions Lab Limited ("S.L. Solutions") by M/s. SCM (System Management Capital) Limited (55%) and Alester Holdings Limited ("Alester") (45%) and in return S.L. Solutions will acquire 100% shareholding in Domnaservis LLC., from Alester
35	Acquisition of 30% shareholding of M/s. Health Care (Private) Limited by Mr. Asif Ali Gohar, an individual

36	Acquisition of entire shareholding of Ihsan Raiwind (Private) Limited by Din Textile Mills Limited
37	Acquisition of all issued and paid up share capital of Fauji Security Services (Private) Limited by Army Welfare Trust from Fauji Foundation.
38	Acquisition of a rice processing and production facility of M/s. Falcon Rice Mills (Private) Limited – situated at Mauza Hardo Khot, Tehsil Kamoke, District Gujranwala – by Senwan Pakistan (Private) Limited
39	Acquisition of 14.50% shares of M/s. Gillette Pakistan Limited by M/s. Series Acquisition B.V. Rotterdam, Netherlands
40	Acquisition of 2.8 million (3.4%) shares of Atlas Honda Limited by Shirazi (Pvt) Limited
41	Acquisition of 100% shareholding of Gwadar International Terminals Limited by China Overseas Port Holding Company Limited from PSA Gwadar Pte. Limited (60%), Aqeel Karim Dhedhi Securities (Pvt) Limited (20%) & NLC Developers (Private) Limited (20%)
42	Acquisition of 100% shareholding of Gwadar Free Zone Company Limited by China Overseas Port Holding Company Limited from PSA Gwadar Pte. Limited (10%) & Aqeel Karim Dhedhi Securities (Pvt) Limited (90%)
43	Acquisition of 100% shareholding of Gwader Marine Services Limited by China Overseas Ports Holding Company Limited from PSA Gwadar Pte. Limited (60%), Aqeel Karim Dhedhi Securities (Pvt) Limited (20%) & NLC Developers (Pvt) Limited (20%)
44	Acquisition of 57.584 million shares of Fatima Fertilizer Company Limited valuing Rs. 696.76 million by Arif Habib Corporation Limited.
45	Acquisition of 21,747,878 shares of ICC Textile Limited by M/s. Javed Shafiq Siddiqi and Pervaiz Shafiq Siddiqi
46	Acquisition of 100% shares of IGI Funds Limited by Al Falah GHP Investment Management Limited
47	Acquisition of 30.283 million shares of Aisha Steel Mills Limited by Arif Habib Corporation Limited
48	Acquisition of: i) 5% working interest in exploration licence no. 281/PAK/99 of Mirpurkhas Concession Area, ii) 5% working interest in exploration licence no. 279/PAK/99 of Khipro Concession Area, iii) 3.9474% working interest in development and production (“D&P”) leases in Mirpurkhas Concession area and iv) 3.9474% working interest in D&P leases in Khipro Concession area, by Bow Energy Resources (Pakistan) SRL from Zaver Petroleum Corporation Limited
49	Acquisition of Tekelec Global, Inc. USA by Oracle Corporation, USA
50	Acquisition of 27,764,880 (39%) shares of e2e Business Enterprises (Pvt) Limited by Dawood Hercules Corporation Limited
51	Acquisition of 100% assets of Allied Medical Supplies by First UDL Modaraba
52	Acquisition by Hilton Pharma (Private) Limited of the entire animal health products portfolio of GlaxoSmithKline Pakistan Limited
53	Acquisition of 40,986,690 (81.97%) shares of American Life Insurance Company (Pakistan) Limited by IGI Insurance Limited
54	Acquisition of 100% shares of Al Hamra Hills (Pvt) Limited by Orange Real Estate Development Company (Pvt) Limited
55	Acquisition of 60,676,813 (60.94%) shares of Thatta Cement Company Limited by a consortium comprising Golden Globe Holding (Private) Limited, Sky Pak Holding (Private) Limited, Rising Star (Private) Limited and Al-Miftah Holding (Private) Limited.
56	Acquisition of 36,307,920 (51%) shares of e2e Business Enterprises (Pvt) Limited by e2e Supply Chain Management (Private) Limited.
57	Acquisition of 85.8 million shares of Baluchistan Glass Limited (“BGL”) by Mr. Muhammad Tousif Peracha, Chairman/CEO of BGL.



58	Acquisition of 59.66% shares of Al Hamra Avenue (Pvt) Limited by Orange Real Estate Development Company (Pvt) Limited.
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### **MERGERS**

1	Merger of AMZ Plus Income Fund with and into KASB Income Opportunity Fund.
2	Amalgamation of Safmarine Pakistan Limited into Maersk Pakistan Limited.
3	Merger of M/s. Document World Pakistan (Pvt) Limited with and into M/s. DWP Technologies (Pvt) Limited
4	Merger of M/s. Swift Logistics (Pvt) Limited with and into M/s. DWP Technologies (Pvt) Limited
5	Amalgamation of Concept Properties (Private) Limited, Star Properties (Private) Limited and Silver Pearl Properties (Private) Limited with Zaitoon Properties (Private) Limited.
6	Merger by ABB Limited, Switzerland of its indirect subsidiary, Verdi Acquisition Corporation, USA with and into Power-One, Inc., USA.

### **JOINT VENTURE**

1	Joint venture between M&C Saatchi World Services LLP and Pirana Communications Group.
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# Acquisition of Nutrition Business of Pfizer Inc. By Nestle S.A

Nestlé through its legal advisors submitted a pre-merger application, dated 6 June 2012, pursuant to section 11 of the Competition Act, regarding the clearance from the the Commission for the acquisition of the Nutrition Business of Pfizer Inc.

The transaction involved an acquisition of the Nutrition Business of Pfizer Inc. by Nestlé. The relevant product market of the merger parties comprised two parts, Infant and Follow-On Milk (“IFFO”) (0-12 months) and Growing-Up Milk (“GUM”) (12 months +). Both the acquirer and the target were engaged in the same market, i.e. IFFO milk and GUM, and the acquirer was enjoying a dominant position in terms of volume. The Commission observed that once the transaction was consummated, the already held dominant position of the acquirer Nestlé would further strengthen, which raised competition concerns for the Commission.

Regulation 6 of the Competition (Merger Control) Regulations, 2007 (the “CMCR”) lays down the factors in which the Commission may consider when determining substantial lessening of competition in the relevant market. One such factor that the Commission may consider when determining substantial lessening of competition in the relevant market is “whether the merger situation will result in the removal of an effective competitor.” Apart from lessening of competition, elimination of a competitor also reduces the choices available to the consumer. Availability of choice is an

important determinant of a competitive market. Reduction in choices available to consumers was the concern of the Commission, which prompted the initiation of 2nd Phase review.

A Second Hearing was held with the parties to the merger on 2 October 2012, wherein the Bench raised the concerns of elimination of choices available to the consumers. The Council for the Acquirer apprised the Bench that Pfizer has no manufacturing facilities pertaining to IFFO and GUM in Pakistan. Pfizer’s presence in the Pakistan market is through the import of relevant products from Ireland and Singapore. The relevant products are imported by distributors which are associated with Pfizer as well as by independent distributors. It was further represented that Nestlé would continue to allow the imports of Pfizer’s nutrition products; thereby ensuring the choices available to consumers will not be reduced.

The Bench and the merger parties agreed that a written undertaking by Nestlé to the effect that “Pfizer (Wyeth) products will continue to be available for a period of three years from the date of the closing of the transaction in Pakistan” will assuage the concerns raised by the Commission.

Since Nestlé gave a written undertaking to the Commission that “Pfizer (Wyeth) products would continue to be available for a period of three years from the date of the closing of the transaction in Pakistan”, the acquisition was authorized by the Commission under Section 31(1)(d)(i) of the Act.

## The Transaction

Acquisition of nutrition business of Pfizer by Nestlé.

## Relevant Product Market

- Infant and Follow-on Milk (0-12 months)
- Growing-up Milk (12 months +)

## Competition Concerns

- The acquirer Nestlé and target Pfizer operate in the same product market.
- The acquirer Nestlé was in a dominant position.
- The acquisition would further strengthen the already dominant position of Nestlé.
- The acquisition would result in a reduction in choices for consumers.
- Reduction in choices, available to consumers, led to 2nd Phase Review.

## Remedy

Nestlé submitted a written undertaking that Pfizer products would continue to be available for a period of 3 years from the date of closing of the transaction in Pakistan.

Acquisition was authorized by the Commission after receipt of the undertaking.

# Acquisition & Merger Facilitation Office (AMFO)



The Commission facilitates and provides guidance to undertakings, law firms, and other stakeholders for any questions they may have regarding the pre-merger review process. This advice can be sought telephonically or in writing. Information and non-binding advice is given in accordance with section 28(1)(d) of the Competition Act, 2010 and the guidelines on AMFO available on the Commission's website. During the year, more than twenty undertakings, law firms and consultants were facilitated regarding different issues relating to merger application filings and related issues. Non-binding written advice/clarification was given in cases.

Acquisition & Merger Facilitation Office (AMFO) provided clarifications/guidance to the following:

- JS Investment Limited (JSIL) and JS Bank Limited (JSBL)
- Bestway Cement Limited ("BCL") and Mustehkam Cement Limited ("MCL")
- Pakistan Services Limited and Musafa International (pvt) limited.

**Clarification About Merger Of Musafa International (Pvt) Ltd. And Pakistan Services Ltd.**

M/s. Pakistan Services Limited (“PSL”) sought clarification from the Commission regarding the intended merger of Musafa International (Pvt) Limited (“MIL”) and PSL on the grounds that MIL was its 100% owned subsidiary. Under Regulation 4A(ia) of the Competition (Merger Control) Regulations, 2007 the said merger was exempt from filing pre-merger notification under section 11 of the Competition Act, 2010. The applicant was therefore, clarified accordingly.

**Clarification About The Exemption Under Regulation 4A(I) Of Competition (Merger Control) Regulations, 2007 – In The Case Of Merger/Amalgamation Of Mustehkam Cement Limited With Best Way Cement Ltd.**

On February 26, 2013 Bestway Cement Limited (“BCL”) and Mustehkam Cement Limited (“MCL”) through their legal Council notified the Commission about their intended merger and sought clarification on whether they needed to file given that BCL was the holding company of MCL by virtue of holding 98.46% of its shares.

The commission, after going through the documents, observed that the transaction entails merger between holding company and its subsidiary, ie., merger of MCL with BCL where BCL is the holding company of MCL, is exempt under section 4A(ia) of the Competition (Merger Control) Regulation 2007, from filing filling pre-merger notification under section 11 of the Competition Act, 2010. Therefore, the applicant was informed that they were not required to submit pre-merger notification for clearance from the Commission.

**Clarification About The Exemption Under Regulation 4A(I) Of Competition (Merger Control) Regulations, 2007.**

M/s. RS Corporate Advisory (Pvt) Limited vide their letter dated 18 September 2012, informed the Commission that their client M/s. Jahangir Siddiqui & Company was the holding company of M/s. JS Bank Limited (“JSBL”) and JS Investment Limited (“JSIL”). JSIL intended to acquire the majority stake of JSBL. They sought confirmation whether the said transaction is exempt under Regulation 4A(i) of the Competition (Merger Control) Regulations, 2007.

From the information supplied by the applicant it was observed that both the merger parties ie JSBL and JSIL were subsidiaries of M/s. Jahangir Siddiqui & Company. Under Regulation 4A(i) of the Regulations, a transaction in which a holding company (whether incorporated in or outside Pakistan) increases its stake in its subsidiary or the subsidiaries thereof (whether incorporated in or outside Pakistan), if such subsidiary acquires or increases their equity investment in each other shall be exempt from filing pre-merger notification. Therefore, the transaction between JSBL and JSIL was exempt from filing pre-merger notification with the Commission. The applicant was informed accordingly.

# Competition Advocacy

Competition advocacy is a deliberate process of outreach that would influence the economic behavior of enterprises, elicit support for the economic principle of competition and convince stakeholders about the innate advantages of competition regime. Competition advocacy works as a complement to competition law enforcement activities of the Competition Commission of Pakistan. The strategy of the Commission is to sensitize all stakeholders, including the public and private sectors, legal community, academia and the media on competition issues. Towards this end the Commission organized various activities like national and international conferences, seminars, training workshops, roundtables, media appearances, sessions of the Competition Consultative Group and bilateral meetings with sector regulators during the outgoing fiscal year.

## 3rd International Conference



The Commission, in collaboration with the Delegation of the European Union to Pakistan, held its 3rd International Conference on 29-30 May, 2013 at the Serena Hotel and CCP Headquarters, Islamabad. The theme of the conference was, “Role of Competition in Fostering Trade and Investment.”

The Conference explored and discussed the importance of competition law for creating a business environment that fosters trade and investment and provided an opportunity to share global experiences on how competition policy has been integrated successfully into trade and investment policies by other countries. Internationally acclaimed experts on competition law from the America,

Europe, Africa, Far East, and South Asia attended the conference. Local participants included Chief Executive Officers of various multinationals and Pakistani companies, representatives of business associations, Bar Councils, academia, media and the government.

The Conference was organized into four sessions in which international panelists shared their experiences in the paradigms of enforcement and advocacy of competition laws, in their respective countries. On 30th May, a workshop was organized for the enforcement staff of the Commission with the international delegates of the conference in which three roundtables were held.

The goal of the conference was to share country experiences and best practices in addressing common challenges in the implementation of competition law in young competition regimes, to promote networking among participating competition experts on competition laws and policy, to analyse success stories and failures, and to discuss barriers in the way of more effective involvement between competition agencies and consumer protection organizations.

The Conference emphasized the creation of awareness regarding competition principles, enhancement of the capacity of agencies in enforcing competition laws through experience sharing and fostering closer cooperation among participating agencies.

# The Sessions

The opening session was addressed by H.E. Mr. Lars-Gunnar Wigemark, the Ambassador and Head of the Delegation of European Union to Pakistan, Rahat Kaunain Hassan, Chairperson CCP and Eduardo Perez Motta, Chairman Mexican Federal Competition Commission and Chairman International Competition Network (ICN).

## HIGHLIGHTS OF CCP CHAIRPERSON'S SPEECH



Rahat Kaunain said that the Commission's Mandate was closely linked with enhancing economic efficiency, to provide free competition in all spheres of commercial and economic activity, and to protect consumers from anti-competitive behavior.

Challenges faced by the Commission included resistance and lobbying against the enactment of Competition Law. She noted that despite the enactment, the struggle continues in the form of acute financial constraints, weak financial autonomy, the ever increasing litigation portfolio and the difficulty in pursuing disposal of cases in courts.

The Commission took action against anti-competitive policies in various sectors. Some of the major

enforcement actions taken included declaring the ICH Agreement null and void and the action taken against urea manufacturers for unreasonable price increases.

The Chairperson stressed that the application of competition law is not restricted to any single industry,

commodity or area. Competition law, therefore, is sector blind and it is for this reason, the Commission's preamble envisages providing for competition in all spheres of commercial and economic activity.

On the Commission's performance she noted: "We have taken significant enforcement actions across various sectors be it; sugar, cement, poultry, edible oil, LPG, banks, urea, telecom, professional bodies like ICAP or state owned entities like Pakistan International Airlines and Pakistan Steel Mills. We have demonstrated our independence through our fearless enforcement and our focus of enforcement remains on activities not entities".

**"If you are pro-business you have to be pro-competition and vice versa"**

## HIGHLIGHTS OF AMBASSADOR'S SPEECH



The EU Ambassador to Pakistan in his address to the conference compared the role of the Competition Commission of Pakistan to the role of the Election Commission of Pakistan (ECP). He noted that, just like it was the duty of the ECP to ensure a level playing field among political parties, it was the CCP's job to ensure a

level playing field among businesses. In this regard, it was important not just to develop sound competition laws, but also to ensure that they were enforced.

He urged the government to use its strong political mandate to get rid of cartels, price-fixing, distorting subsidies and kick-backs, as these were hampering domestic economic growth, and the inflow of Foreign Direct Investment (FDI) and trade.

On the role of competition in fostering trade and investment the Ambassador stated: "Unhampered competition is a pre-requisite for enduring economic success. It is through competition that innovative firms, products and ideas reach the market, fostering trade and investment. There is no doubt that a free market with transparent rules ensures competition, fair play, and, most importantly, economic efficiency".

Regarding the performance of the the Commission, he was of the opinion that through the numerous orders that it had issued, the Commission had developed a substantial body of jurisprudence. The Commission, therefore, was not just an enforcer of the law, but had also developed home-grown knowledge about the application of competition law principles to local conditions.



## FIRST SESSION

### NEXUS BETWEEN COMPETITION REGIME AND TRADE AND INVESTMENT

#### KEY POINTS OF DISCUSSION

- The nexus between trade and competition policy is not straightforward as there is no competition policy regime in the multilateral trading system.
- Trade liberalization is pro-competitive as removal of tariff and non-tariff barriers would result in the entry of foreign firms which would help discipline domestic cartels and monopolies.
- A liberal FDI regime would stimulate competition as it would lead to expansion of the market and reduce reliance of local firms on a narrow set of suppliers.
- Competition policy helps stimulate trade as it reduces the cost of doing business; it discourages subsidies, safeguards and other restrictions on the flow of capital, goods, services and ideas.
- The introduction of a transparent competition regime sends a positive signal to potential investors.
- All government ministries/departments whose policies affect commercial activity and free trade must consult with the competition agency before issuing such policies.
- Trade policy and competition policy are complementary as there can be no competition without removal of trade barriers.

#### PANELISTS



**Richard Janda**  
Professor of Law --McGill University



**William Kovacic**  
Professor--George Washington University



**Dr. Joseph Wilson**  
Member – CCP



**Ali Salman**  
Executive Director -- PRIME

## SECOND SESSION

### PUBLIC PROCUREMENT: CREATING A LEVEL-PLAYING FIELD

#### KEY POINTS OF DISCUSSION

- Public Procurement accounts for an average of 15% of GDP worldwide, 20% of GDP in OECD countries and 25% of GDP in Pakistan therefore, dealing with corruption in Public Procurement (PP) was one of the most important functions of a competition authority.
- Recent developments in dealing with competition concerns in PP include legal rights for all parties involved (the government and the tenderers) and a formal review procedure in case rights are violated.
- Bid rigging in PP was rampant worldwide and apart from tough sanctions, one key way the US deals with the problem is to institute a training programme for government procurement officials in the Departments of Defense and Homeland Security, i.e. large procurers.
- The main modus operandi of bid riggers in India consisted of bidding documents that placed unfair and opaque conditions to favour a few.
- In the Pakistani context, the main problems faced in PP were: lack of expert management, corruption and collusion, an ineffective supervisory body, and a toothless law.
- In order to curb bid rigging, cooperation between Pakistan Public Procurement Regulatory Authority (PPRA) and the CCP was needed.

#### PANELISTS



**William Kovacic**  
Professor--George Washington University



**Theodore Voorhees**  
President, Section of Antitrust Law, American Bar Association (USA)



**Ratnesh Nandan Sahay**  
Advisor --Competition Commission of India



**Dr. Gabriele Herlemann**  
Judge, Public Procurement Tribunal  
The German Competition Authority



**Ikram Qureshi**  
Director General – CCP

## THIRD SESSION

### DETECTING CARTELS: Investigative Techniques, Leniency and Reward Programs

#### KEY POINTS OF DISCUSSION

Detecting and prosecuting cartels is a difficult task, which has prompted competition regimes worldwide to introduce reforms to effectively deal with the problem.

Some innovation included the use of wire-tappings, environmental recordings and dawn raids. Before these techniques can be deployed there needs to be in place an effective legal/judicial procedure for authorization.

Leniency schemes are also being increasingly resorted to by competition authorities.

The emerging generation of competition regimes are composed of three components: (i) the competition authority, (ii) competition law and (iii) a well functioning judicial system for judicial review.

To successfully deal with anti-competitive practices cooperation between sector regulators and the competition authority is essential.

#### PANELISTS



**John M. Connor**  
Emeritus Professor -- Purdue University (USA)



**Fernando Furlan**  
Former Chair—CADE (Brazil)  
Manuel Sebastião,  
President -- Portuguese Competition Authority



**John K. Daina**  
Senior Economist -- Competition Authority of Kenya



**Rahat Kaunain Hasaan**  
Chairperson - Competition Commission of Pakistan

## FOURTH SESSION

### PROMOTING COMPETITION THROUGH ADVOCACY

#### KEY POINTS OF DISCUSSION

Advocacy efforts need to build public awareness about the need to reform, and to do so they need to effectively engage the media and focus on the benefits of reform to ordinary consumers.

Engaging policy makers is also an important function for competition authorities, the starting point of which could be educating lawmakers on the basic concept of competition law and economics.

It is important to evaluate the consequences of a particular policy on competition, and the OECD's competition assessment toolkit is designed for this purpose.

Since Pakistan has different policies e.g. trade, investment, industrial, textile etc. they may be in conflict with competition policy and therefore, it is important that CCP is 'at the table' when these policies were being formulated.

#### PANELISTS



**Timothy T. Hughes**  
Attorney-- Federal Trade Commission (USA)



**Eduardo Pérez Motta**  
President, Chair of the ICN Steering Group & Mexican  
Federal Competition Commission



**Hilary Jennings**  
Head, Global Relations, OECD



**Kasturi Moodaliyar**  
Associate Professor, University of Witwatersrand  
(South Africa)



**Saad Amanullah Khan**  
CEO, Gillette Pakistan



**Eric Manes**  
Senior Economist, the World Bank

## The Workshop

**Round Table 1**, “Deceptive Marketing Hampering Fair Trade” discussed marketing practices which hamper fair trade and examined whether such practices could be curbed under Section 10 of the Competition Act.

**Round Table 2**, “Scent of a Cartel” discussed some of the common symptoms present in a new and a chronic cartel and shared experiences from across participant countries in order to draw a list of indicators showing the presence of a cartel.

**The Round Table 3** “Distorting Competition: Policy Directives and Executive Orders” discussed the exemption or reduction in the levy of import and other regulatory duties to some firms thus creating skewed level-playing field and distorting competition among firms placed on the same footing.

Shields were presented to the panelists and participants by Mr. Pierre Mayaudon, Deputy Head of the EU Delegation to Pakistan. In his closing remarks Mr. Mayaudon stressed the fact that promoting competition as a driver for trade and investment is a never-ending process, which ultimately leads to the betterment of the people.



# Conference Feedback



**Eric Manes**

**Senior Economist for South Asia  
World Bank**

It's very rewarding and encouraging that the seed planted years ago has grown into such a beautiful tree. I take enormous pride in your success and have great hope that the example of good institutional governance and professional work will spread through Pakistan. You should be congratulated for your success."



**H.E. Pierre Mayaudon**

**Acting Ambassador EU.**

A great conference serving a noble cause. Congratulations CCP! "



**Hilary Jennings**

**Global Relationship Program  
OECD Competition Division.**

The CCP has made impressive advances in a short space of time in the challenges it faces as a young agency in a developing country context. The dedication, enthusiasm and drive of the Chair, Members and staff is clearly behind this excellent start. The CCP has made an impact on the regional and global antitrust community, which stands ready to support the CCP in its national mission."



**Gabriele Herlemann**

**Head, Chamber of Public Procurement  
Tribunals. Bundeskartellamt.**

I am impressed by CCP's achievements in the last few years. The welcoming of European Delegation by the whole staff of CCP was very warm and kind. As far as the conference is concerned, interesting insights in Economics and specific competition problems were picked. I am also grateful that the topic of public procurement was on the agenda"



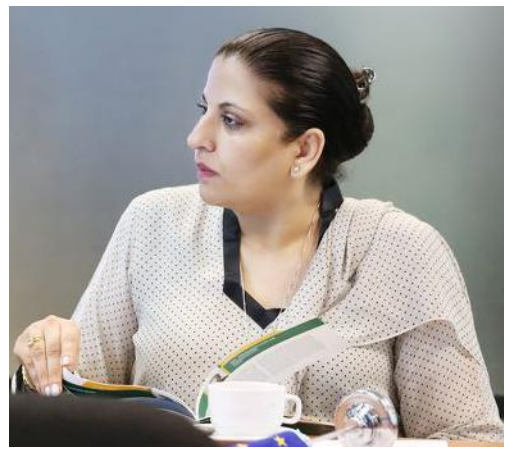
# Photo Gallery















## The Competition Consultative Group

### 16th Meeting of CCG

The 16th meeting of the CCG was held at the Commission's premises Islamabad on 28th September, 2012. The agenda of the meeting was to obtain feedback of participants on the proposed establishment of International Clearing House (ICH) by Pakistan Telecom Authority (PTA) and the competition concerns raised by the Commission. The participants of the meeting were briefed on the issue of the ICH and the competition concerns that the telecom industry has witnessed as a result of deregulation of the sector. All the gains made in the sector, after deregulation, such as growth in volumes, low rates to consumers, more choices as well as better quality of services may stand negated due to the ICH issue. The proposed establishment of the ICH was not only against Telecom Deregulation Policy 2003 and the Competition Act, but also contravened Pakistan's international obligations under the General Agreement on Trade in Services (GATS). Participants of the Competition Consultative Group unanimously supported the Commission's stance.

The participants were also briefed on the Peer Review of the Commission by the United Nations Conference on Trade and Development (UNCTAD). The Commission volunteered for this peer review, the evaluation of which would be shared with 152 countries. UNCTAD's Voluntary Peer Review on Competition Policy provides a unique opportunity to review the substantive content of national competition laws and their implementation and to assess the impact of decisions.

The meeting was attended by the Commission's members and representatives from the Institute of Chartered Accountants of Pakistan, Faysal Bank, Gillette Pakistan, Consumer Forum, Consumer Association of Pakistan, Linde Pakistan Limited, Honda, Pakistan Electronic Media Regulatory Authority, Unilever Pakistan, Saudi Pak Leasing, Pakistan Engineering Council, Air Blue, Business Recorder, Public Procurement and Regulatory Authority and Pfizer Pakistan.



#### Key topics of discussion at 16th CCG

- Anti-competitive effects of International Clearing House (ICH) Agreement.
- Peer review of the Commission by UNCTAD.

**C**CG serves as a platform for the Commission to obtain informal feedback and guidance regarding its ongoing activities. The CCG is a select body including representatives from regulatory agencies, professional bodies/associations and the private sector. CCG meetings are convened quarterly in different cities. This year, three meetings have been held.

## 17th Meeting of CCG

The 17th CCG meeting was held in Karachi on 13th January, 2013. The meeting was informed about recent enforcement actions undertaken by the Commission, which included the penalty of PKR 25 million on the Institute of Chartered Accountants of Pakistan (ICAP) and the issuance of Policy Note to the Federal Board of Revenue and National Tariff Commission.

While briefing the CCG members on the advocacy initiatives of the Commission, the Chairperson, Rahat Kaunain, informed them of the upcoming 3rd International Conference, being organized with the collaboration of European Union Delegation to Pakistan, to be held in the second quarter of 2013.

Dr. Joseph Wilson, Member of the Commission, briefed the meeting on a key advocacy initiative of the Commission regarding the introduction of competition law as an elective subject in universities. It was emphasized that the introduction of an academic course regarding competition law at premier academic institutions would further create awareness and ignite interest in this field of law, which has assumed increasing importance in economic regulation.

The participants of the CCG meeting included senior representatives of Civil Aviation Authority, Securities & Exchange Commission of Pakistan, State Bank of Pakistan, Faysal Bank, Overseas Investors Chamber of Commerce & Industry, Engro Polymer & Chemicals Pvt. Ltd., ICI Pakistan Limited, Pakistan Business Council, Federation of Pakistan Chamber of Commerce & Industry, Consumer Forum, Consumers Association of Pakistan, Karachi School of Business & Leadership, Ernst & Young Ford Rhodes Sidat Hyder, daily Business Recorder, Linde Pakistan Ltd., JS Private Equity, Lotte Pak PTA, Institute of Chartered Accountants of Pakistan, and Taxation & Company Law Consultants.



### Key topics of discussion at 17th CCG

- Recent enforcement actions of the Commission – Penalty on ICAP and Issuance of Policy Note to FBR.
- Briefing on advocacy initiative of the Commission—Introduction of Competition Law as an elective subject in universities.

## 18th Meeting of CCG

The 18th CCG meeting was held in Pearl Continental Hotel Lahore on 29th June, 2013. Dr. Joseph Wilson, Senior Member, chaired the meeting and informed the participants that the Commission had been recently awarded a fair rating with an “arrow up” by the Global Competition Review (GCR), a London-based leading anti-trust journal, in its latest annual survey of the world’s leading competition authorities. According to the GCR, participating in the survey itself is an indication that the authority is a meaningful enforcer. The arrow-up rating indicated that the agency was making excellent use of its resources and had surpassed its previous accomplishments.

Dr. Wilson also briefed the participants of the meeting on advocacy initiatives of the Commission, including the 3rd International Conference held on 29-30

May 2013 in Islamabad. He also informed the participants about the training of Afghan Officials on Competition Law under the consultative experience-sharing programme organized by the US Department of Commerce, in partnership with the US Federal Trade Commission (FTC) and CCP. Besides, the officials of Officer of Fair Trade, UK, and Turkish Competition Authority also visited the Commission to impart training to its enforcement staff.

The participants of the meeting were also briefed on the enforcement orders issued by the Commission during the last three months. These orders were issued in the matters of International Clearing House (ICH), Abuse of Dominance by Urea Manufacturers, and Unaccredited Engineering courses offered by universities.

The participants of the meeting included representatives of the State Bank of Pakistan, Intellectual Property Organization, Pakistan Engineering Council, Engineering Development Board, Institute of Chartered Accountants of Pakistan (ICAP), ACCA Pakistan, Lahore Chamber of Commerce & Industry, United Bank Limited, Saudi Pak Leasing, Linde Pakistan Limited, ICI Pakistan Limited, JS Private Equity, Ernst and Young, Daud Hercules Pakistan Limited, and The News.



# Seminar on World Competition Day

The Commission marked World Competition Day by hosting a seminar under the theme, 'Adverse Impact of Cartels' at CCP, Islamabad.

The seminar was attended by Chairperson Rahat Kaunain Hassan, Members Dr. Joseph Wilson and Ms. Vadiyya Khalil, and from the academia by a large number of students and faculty members of various universities, i.e. National University of Science and Technology (NUST), Szabist, Quaid-e-Azam University, and Bahria University.

The need for the introduction of an academic course regarding competition law at premier academic institutions was also emphasized in the seminar. It was noted that this would help in the creation of awareness and the stimulation of interest in the field of law. The Chairperson believed that this initiative would "create a nexus



between the competition regime and academic circles in the country, providing sustainable increase in knowledge relating to competition issues."

The enforcement of Competition Law with the help of various case studies dealing with the abuse of dominant position, cartelization and deceptive marketing practices was also discussed. During the last five years, the Commission has dealt with cartelization in sectors like: bank, cement, chartered accountancy, stock exchanges, dredging, poultry, telecom, jute, power, shipping, cooking oil, ghee and media.

The international acknowledgment of the Commission's effectiveness and the performance was also highlighted. The Commission received a 'Fair' rating in an independent evaluation by the Global Competition Review (GCR) in 2010 and 2011. It was also shortlisted by GCR for the Enforcement Award in the category 'Agency of the year – Asia Pacific, Middle East and Africa for 2012'. The seminar was concluded with an open and interactive discussion with the participants.

# Trainings

The approach adopted by the Commission is to build a knowledge based organization. The capacity of the Commission's workforce is enhanced by providing the opportunity to have international exposure through workshops conducted by International Competition Agencies as well as the CCP.



## **▲ SESRIC TRAINING PROGRAM WITH COMPETITION COMMISSION OF PAKISTAN.**

A two member delegation of the Turkish Competition Authority conducted a three day training titled: 'SESRIC Training /Experience Sharing Programme with Competition Commission of Pakistan'. The training program covered a number of competition related matters including determining unreasonable increase in price, leniency programmes, rewards payment schemes, and failing firm defence.

The training included a discussion on the interaction of a competition authority with sector regulators. During their presentations, the trainers shared the experiences and practices of the Turkish Competition Authority.

## **WORKSHOP IN COLLABORATION WITH THE OFFICE OF FAIR TRADE, UK**

The Commission in collaboration with UK AID under its Investment Climate Facility of UK Specialists Expertise (IFUSE) Programme, conducted a 4-day capacity-building workshop for its professional staff. Experts from the Office of Fair Trade (OFT) UK conducted trainings on merger review analysis, bid rigging in public procurement, leniency programmes and methods of cartel detection, including forensic IT.



## **▲ WORKSHOP ON COMPETITION REGIME FOR AFGHAN OFFICIALS.**

The first ever regional training on competition law was conducted by the Commission for Afghan officials. The consultative experience-sharing programme, titled "Competition and Consumer Protection", was organized by the US Department of Commerce in partnership with the US Federal Trade Commission (FTC) and CCP.

Interactive sessions on various organizational and managerial issues faced by new competition agencies were held. Chairperson Rahat Kaunain Hassan highlighted the numerous organizational, administrative, and financial challenges faced by the Commission since its inception. CCP Member, Joseph Wilson gave a presentation on the organizational and management structure of the Commission. He informed the participants that the Commission followed the Integrated Agency Model under which 'a single specialized agency undertook investigative, enforcement and adjudicative functions'.

Participants provided their feedback and appreciated the efforts done in the workshop. It was also concluded that cross border cooperation should be encouraged and would go a long way in establishing a long-term relationship between Afghanistan and Pakistan.



# Media

The Commission realizes the importance of both print and electronic media in promoting awareness about competition law. The media has been very supportive in this regard. Regular liaison with the print and electronic media helps the Commission in garnering a wide coverage of its initiatives and in improving awareness among its stakeholders. The following media activities were held during the year under review.

## **JAHAN FORUM(5 MAY 2013):**

Jahan is a prestigious national Urdu language newspaper which holds “Jahan Forum” in which heads of institutions and other important personalities holding public portfolios are invited and the discussion is then reported in the newspaper.

The participants were briefed about the incessant struggle from the inception of the Commission in 2007, important pillars of the Competition Act, whose ultimate aim is to protect consumers from anti-competitive behavior, and the achievements of the Commission in enforcement and advocacy of competition law.

Emphasis was laid on the fact that the prices of commodities and services are automatically controlled in a healthy competitive environment. Therefore, the Commission serves as a “referee”, which “ensures the game to go on the guided principles”.

## **T.V. INTERVIEWS**

In order to keep the public informed about the enforcement and advocacy actions of the Commission, the Chairperson makes regular appearances on T.V business shows and programs. In this financial year, the chairperson appeared in the following T.V shows:

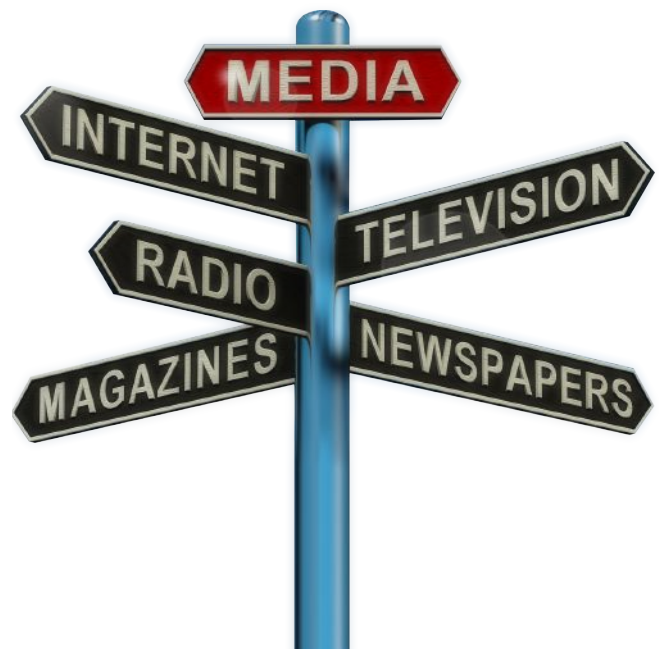
- i. Interviewed by PTV anchorperson Tahir Malik in “Public Policy, on 22 February 2013”
- ii. Interviewed by Aaj TV anchorperson Imran Sultan in “Aaj Markets, on 12 October 2012 “.
- iii. Interviewed on SDTV, on 3 August 2012.

## **PRINT INTERVIEWS**

1: Successful Women in the field of Competition Law Series: GCR Interviews the Commission’s Chairperson Rahat Kaunain Hassan, 7 March 2013.

## **PRESS RELEASE**

To enhance the outreach of the Commission’s activity among various stakeholders and to disseminate information about the various orders passed by the Commission, press releases were issued and uploaded on the website of the Commission. Thirty press releases were issued during the year under review, which are available on the Commission’s website.



# 30

**PRESS RELEASES**

issued during the year



CHAPTER

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# Dealing with International Affairs

The Office of International Affairs (OIA) is the focal liaison with the United Nations Conference on Trade & Development (UNCTAD), Organization for Economic Cooperation & Development (OECD), and International Competition Network (ICN). It is also the communications focal point for all international activities. In addition, it explores bilateral relations concerning technical assistance with other competition agencies and with donor organizations. The department is currently actively involved with the merger working group and the agency effectiveness working group of the ICN. Identifying common issues and challenges and co-ordinating efforts to address them has and will continue to play an important role in strengthening the capacity of the Commission to bring about a pro-competition perspective in the economy.

### **Collaboration with ICN**

The International Competition Network (ICN) was established in 2001 with a view to promote cooperation among competition agencies. The work of ICN has been instrumental in promoting and strengthening communication among competition agencies and harmonizing competition laws and cooperation among competition agencies. ICN works in working groups, such as the cartel working group, the merger working group, the agency effectiveness working group and the advocacy working group. The OIA contributes to the working of these groups, particularly the merger working group and agency effectiveness working group.

### **Collaboration with UNCTAD**

UNCTAD is engaged in technical cooperation with countries seeking capacity-building and technical assistance in formulating and/or effectively enforcing

their competition law. As part of this initiative, UNCTAD hosts the Intergovernmental Group of Experts on Competition Law and Policy for consultations on competition issues of common concern to member states and informal exchange of experiences and best practices, including a Voluntary Peer Review of Competition Law and Policy. The OIA collaborated with UNCTAD to participate in the Peer Review process. The department has also agreed to facilitate UNCTAD with the independent evaluation of the peer review.

### **Collaboration with OECD**

The OIA continued to respond to the OECD's request for contributions on various topics that are presented at the Global Competition Forum, the OECD's annual flagship events. Members and officers of the Commission have attended various capacity building events organized by the OECD's Korea Policy Centre.

Major achievements for the year 2012-13 are as follows:

#### **1) Organization of the 3rd international conference 2013.**

#### **2) Participation of the Commission's staff and members in workshops, conferences, and trainings organized by ICN, OECD, UNCTAD and other international fora:**

- UNCTAD's IGE (Inter Governmental Group of Experts) in July 2012.
- ICN Unilateral Workshop in Panama October 2012.
- ICN Merger Workshop in Colombia November 2012.
- OECD's Global Forum on Competition February 2013.
- OECD Korea Policy Centre workshops:
  - "Vertical Restraints Seminar", Korea 27th-29th June, 2012.
  - "Workshop on Competition Issues in the Aviation sector", Busan, Korea, 17th-19th October, 2012.
  - "Workshop on Judge Training", Seoul, Korea, 17th October, 2012.
  - "Workshop on Practices and Procedures in Competition Cases", Seoul, Korea, 6th-8th March 2013.
  - OECD Korea Policy Centre "Workshop on Bid Rigging", Kuala Lumpur, Malaysia, 26th-28th June, 2013.
- IFUSE Workshops organized for the Commission's staff 26th-29th March 2013.
- ICN Annual Conference, Warsaw, Poland, 23th-26th April, 2013.
- 13th UNCTAD IGE, 8-10, July 2013.

#### **3) Increase collaboration with ICN, OECD and UNCTAD.**

#### **4) Active participation in the Merger Working Group and the Cartel Working Group of ICN.**



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# Undertaking Research

Research and analysis of markets has remained a key component of the Commission. The Commission's approach is to promote free competition, besides active law enforcement, consultations and advocacy. The Competition Act requires the Commission to conduct research and review policies in order to identify and act against anti competitive practices. To fulfill this requirement, the Commission conducts detailed sectoral competition assessments. The Commission issues policy notes to advise the government and regulatory bodies on competition issues, and suggest pro-competition measures.



## Reports

### **Competition Assessment of the Private Healthcare Sector in Pakistan**

The Competition Assessment of the Private Healthcare Sector in Pakistan is based on internationally recognized analytical techniques for competition assessment in the services sector. The study is supported by a survey conducted in Rawalpindi and Islamabad. The study recommends revisiting the national health governance paradigm to improve the state of competition and bringing down the cost of healthcare.

Findings also revealed that over-treatment and unnecessary tests were commonplace, as the average consumer was not in a position to detect such practices.

The report recommends that the statutory role of Pakistan Medical & Dental Council (PMDC) be revised and broadened to include that the authority issue licenses for the establishment and operation of private healthcare facilities. It also recommends that PMDC maintain a centralized database, accessible to consumers, containing information on healthcare facilities, particularly their quality. The report found that setting up of a 'standards' framework would contribute in the promotion of competition in the private healthcare market.

### **Competition Assessment of Private Schooling Sector in Pakistan**

The study reviews the policy and regulatory framework governing the private schooling sector and evaluates its performance, as reported by parents. The study found that the cost of private schooling is the most frequently raised concern, and although provincial regulations and Private Educational Institutions Regulatory Authority (PEIRA) Ordinance, 2006, requires prior approval for setting and charging fees, this is rarely implemented. The regulatory mechanism was found to be deficient, allowing regulators the space to act in a manner that may be detrimental to private schooling providers. Another competition concern was 'tying arrangements' whereby private schools asked parents to purchase books, uniforms, etc., from a particular vendor.

The study recommends that based on the successful experience of PEIRA, there is a need for an independent regulatory authority at the provincial level with a mandate to formulate and enforce minimum level of quality standards. One of the major recommendations is to enhance transparency and information dissemination. Once key information about private schools is available to the public, parents would be able to make more informed choices.

## 10

# Reviewing Policy Frameworks

**Policy Note issued to the Ministry of Information Technology and Pakistan Telecommunication Authority.**

The Commission has issued a Policy Note to the Ministry of Information Technology (MOIT) and Pakistan Telecommunication Authority (PTA) recommending the withdrawal of the Directive dated 13 August 2012 issued by the MOIT proposing establishment of international clearing house exchange for international incoming calls for long distance international, fixed-line local loops, wireless local loops and mobile operators (Proposed ICH Arrangement).

In its Policy Note, the Commission has also advised MOIT & PTA that any such proposed arrangement/agreement if entered into, is not tenable in terms of Section 4 of the Competition Act, 2010.

The Proposed ICH Arrangement has been supported by MOIT through its directive for the amicable settlement of the pending cases relating to Access Promotion Charges (APC) and to curtail and eliminate the grey traffic, in line with the existing Deregulation Policy 2003, and the existing regulatory regime.

The Commission has observed in its Policy Note that while it may be within the domain of MOIT to issue policy directives in relation to the subject industry, it needs to be appreciated that any such policy decision/directive/circulars are in fact subject to the substantive provisions of the statute in force. Regarding the amicable settlement aspect, it has been noted that the pre-ICH outstanding liabilities on account of regulatory and GoP dues will continue to be the individual responsibility of each LDI operator i.e. 'to be discharged as final settlement through legal process'. Therefore, the Commission has observed that it is thus not clear how the matter stands resolved when the settlement is subject to judicial review i.e. 'final

settlement through legal process' which in any event, the parties are bound to honor.

With respect to the curtailment and elimination of grey traffic, the Commission has observed that under the Proposed ICH Arrangement the termination rate for Pakistan is expected to go up to 8.8 cents from currently lower rates. This may provide further incentive for Grey market players to increase their traffic. Also, in future if an arbitrage opportunity exists the players operating in the Grey traffic will likely exploit it, thus the ICH move is unlikely to curb the Grey traffic and may kindle its further growth.

As far as the De-regulation Policy, 2003 is concerned, it has been observed by the Commission that the said policy, apart from other objectives, provides for increase service choice for customers of telecommunication services at competitive and affordable rates, liberalizes the telecommunication sector by encouraging fair competition amongst service providers, and maintains an effective and well defined regulatory regime that is consistent with the international best practices. However, through the Proposed ICH Arrangement it appears that the competition amongst the LDI Operators is restricted/prevented/diminished as each operator will have a guaranteed quota of incoming international traffic as per their existing market share.

As for the aspect regarding regulatory regime for the telecom operators, the Commission in its Policy Note has observed that all relevant laws and applicable rules and regulations which, inter alia, include the Competition Act must be taken into account. The Commission reiterates that it has already passed an order dated 8 February, 2012 in which the Commission made it abundantly clear that



the subject matter has serious competition concerns.

The Commission further notes that the Proposed ICH Arrangement directly violates Section 4 of the Act, and particularly, clause (a) & (b) of subsection 2 of Section 4 which prohibits price fixing and division of market via quotas. Under the Proposed ICH Arrangement the consortium will designate PTCL to undertake negotiations on termination rates with foreign operators, and LDI operators also signing up to a percentage quota, will be guaranteed from the revenue PTCL collects from the incoming international terminations. Thus the consortium as such will fix price for termination rates and also, via percentage quota allocated, share in the proceeds from the terminations from foreign operators, a clear violation of the Act. It has also been observed that in this environment there is no incentive for a LDI Operators to improve sales, or enhance quality of service (QoS) or for that matter to invest in Network. With fixed quotas there will also be less incentive for LDI's to bring in additional voice traffic from overseas operators as any upside will be shared as per quota.

It has also been observed by the Commission that in terms of Para 3(d) of the Directive, the representatives of PTA and MOIT on Board as observers of Proposed ICH Arrangement, in itself curtails the free market commercial decision making of the LDI Operators and perhaps undermines the regulatory powers of PTA.

The Commission also noted in its Policy Note that a substantial advantage will be available to the existing LDI operators due to the Proposed ICH Arrangement. The incumbent LDI operators will be in a position to exploit the said arrangement through a cost advantage over potential new entrants. They may use this advantage to cut prices if and when new players enter the market. Although they will be moving away from short run profit maximization objectives, they will however inflict losses on new undertakings and thus protect their own market position in the long run unless the new entrant also agree to

such an arrangement. Once a potential entrant is successfully barred from a market, existing players are free to revert to their prior anti-competitive conduct. This will eventually have a negative impact on the end consumer, who must now face higher prices (due to monopolistic or oligopolistic pricing structures and inefficient and obsolete technology), lower quality products (the effect of less research and development) and ultimately fewer alternatives. It has also been observed that although it has been stated in the Para 3(bi) of the Directive that the appointment of an independent undertaking to monitor the said arrangement and submit MIS reports on a daily basis to PTA or MOIT to prevent "collusive behaviour" and to ensure transparency; however, under the given arrangement it seems more likely that such arrangement results in monitoring the consortium members to prevent any deviation from allocated quotas, which in itself is anti-competitive under the Proposed ICH Arrangement.

The Commission in its Policy Note concludes that under the Directive, and Proposed ICH Arrangement price fixation and sharing of market (quota allocation) are promoted. Such practices i.e. price fixation and quota allocation are considered illegal, per se, being the most pernicious anticompetitive conducts. Competition regime is all about applying competition policy & principles of law to make undertakings compete vigorously with each other. This fair business rivalry ensured through the competition rules brings efficiency, increased productivity, creates a wider choice for consumers, helps reduce prices and improves quality. It also plays an important role in weeding out inefficient undertakings and re-allocates output from less productive to more productive undertakings. It needs to be recognized that the larger benefit of competition is to promote and enhance economic efficiency.

**Policy Note Issued to the Ministry of Finance on**

# Amnesty Scheme for Smuggled/Seized Vehicles

The Commission on 14 March 2013 issued a Policy Note to the Ministry of Finance regarding the Amnesty Scheme for Smuggled/Seized Vehicles launched on 5 March 2013 and asked it to withdraw or suitably amend the scheme.

The Commission took notice of SRO 172(I)/2013 issued by the Revenue Division of the Ministry of Finance and the subsequent concern raised by the All Pakistan Motor Dealers Association (APMA). The scheme, under question, allowed release of vehicles on payment of redemption fine along with duties and taxes on smuggled/non-duty paid vehicles. The scheme was valid till 30 March 2013, and was not applicable to vehicles imported via a Customs Station but in violation of the Import Policy Order.

The Commission noted that vehicles imported through proper channels were subject to an age limit of 3 years, whereas under the Amnesty Scheme no age restriction was imposed on smuggled vehicles. It expressed the concern that these dissimilar conditions incentivized smuggling of vehicles.

The Commission observed that the Amnesty Scheme could not be availed by vehicles imported through proper channels (i.e. through a Customs Station), but which violated the Import Policy Order. The scheme could, however, be availed by smuggled vehicles anywhere in Pakistan. The Commission found that the scheme, therefore, discriminated against those who imported vehicles through proper channels.

The Policy Note found that import of vehicles through proper channels allowed the import of cars up to 3 years old with a depreciation allowance of 1% per month, translating into a total of 48% over 3 years. The Amnesty Scheme set the depreciation criteria for two types of vehicles – for vehicles for 10 persons or less, a depreciation allowance of 1% per month for the first

5 years (maximum depreciation claim of 60%) and 5% for subsequent years subject to a minimum duty and taxes of US\$500. Vehicles for more than

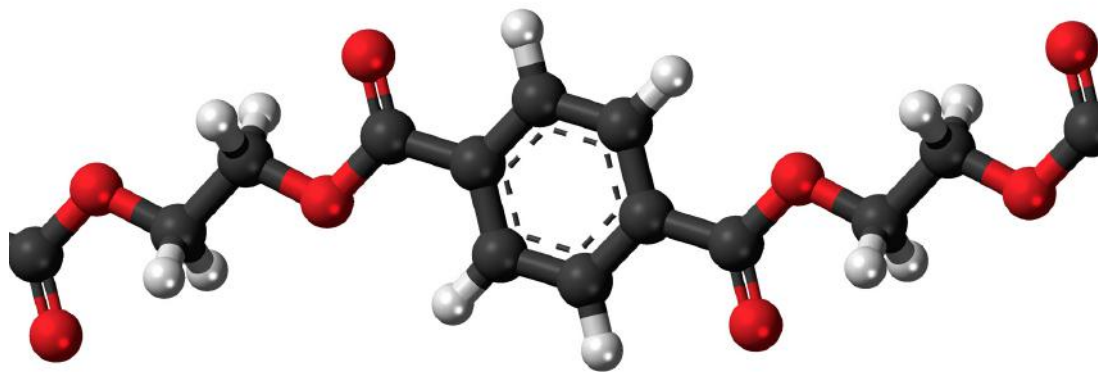
10 persons were subject to a depreciation allowance of 1% per month for the first 6 years (maximum depreciation claim of 72%) and further depreciation allowance of 5% per year subject to a minimum duty and taxes of Rs. 100,000. The Commission believed that a depreciation criterion without any age limit favours those that smuggle vehicles.



The Commission stated in the Policy Note that it believes that such Amnesty Schemes, which have been introduced in the past as well, would create a parallel grey market for vehicles in Pakistan, which would create unfair competition for the formal sector. Finally, it was noted that vehicles cleared under the Amnesty Scheme would not be subject to tests such as road worthiness and emissions control tests, whereas vehicles imported under regular channels would have to undergo these tests.

# Rationalisation of Duty Structure of PET Resin

## P O L I C Y N O T E



### HIGHLIGHTED COMPETITION CONCERNS

- The Common practice internationally is to classify PET resins according to their Intrinsic Viscosity. PET film grade, PET bottle grade and PET yarn grade have the same Intrinsic Viscosity and, therefore, should be classified under the same tariff heading and so have the same rate of custom duty.
- Irrational fluctuation in rates of custom duty.
- High tariff on raw materials (PET resins) and finished product. Gives unfair advantage to sole manufacturer of PET resins who also competes in the downstream market i.e. finished product.

In response to the concerns raised by BOPET film manufacturers, the Commission reviewed the tariff structure of PET Resins (PET Bottle Grade, PET Film Grade and PET Yarn Grade) with respect to their classification under Pakistan Customs Tariff Code (PCT Code) implemented by the Federal Board of Revenue (FBR) and the custom duties levied on them.

Basis of examination of the aforementioned tariff structure was the competition concern that there is only one local manufacturer/supplier of PET Resins (Film Grade and Bottle Grade). The sole manufacturer of PET Resins is a vertically integrated unit also present in the downstream market of PET Bottle and BOPET Film. Such a tariff structure/duty protection to supplier cum competitor translates into a competitive disadvantage for its competitors.

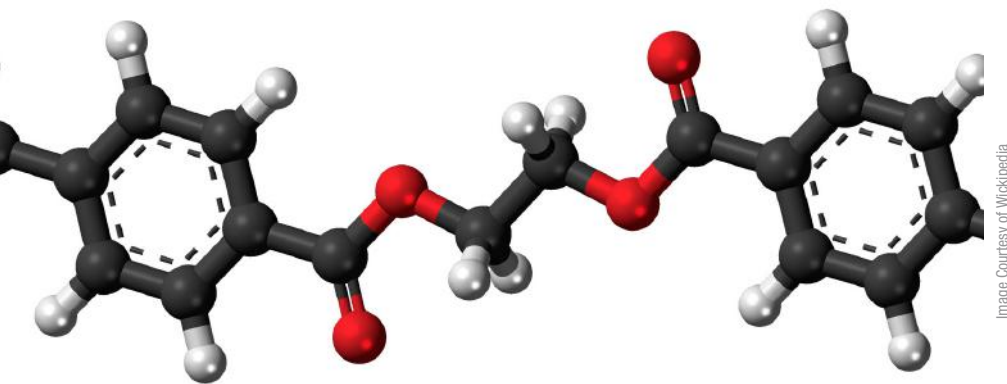
Poly Ethylene Terephthalate (PET) is made by a combination of Pure Terephthalic Acid or PTA (Duty 3%) and Mono Ethylene Glycol or MEG (duty 0%) in a Continuous Polymerization (CP) unit. PET is the basic component used to manufacture different PET Resins such as PET Bottle Grade, PET Film Grade and PET Yarn Grade etc. PET Bottle Grade is further processed to manufacture PET Bottles, which are

largely used in Pakistan for the purposes of carbonated soft drinks and bottled water. PET Film Grade is processed to manufacture packing, covering and wrapping material.

While reviewing tariff structure, the classification and duty of PET Resins (PET Bottle Grade, PET Film Grade and PET Yarn Grade) was compared with the tariff structure followed in 8 different jurisdictions including developing and developed. It was observed that PET Resin are categorized and duty is levied on the basis of their properties, in particularly, Intrinsic Viscosity.

It was also observed that PET Resins (PET Bottle Grade, PET Film Grade and PET Yarn Grade) are manufactured by using the same type of raw material all used in almost the same proportion in the similar chemical process carried out on the same plant. Standard PET Yarn Grade and PET Film Grade have Viscosity of 0.64 dl/g whereas standard PET Bottle Grade has Viscosity of 0.80dl/g. All three grades fall under the category of low viscosity PET Resins.

Whereas in comparison to international practice, classification of PET Bottle Grade, PET Film Grade and PET Yarn Grade under



PCT Code and rates of duty imposed on them were found to be discriminatory. PET Film Grade, PET Bottle Grade and PET Yarn Grade have been categorized in different classes under PCT Code and imposed with different customs duty at the rate of 20%, 9% and 3% respectively.

Further, it was observed that there is irrational fluctuation in the rates of duty. For example, in the year of 2007 duty structure on PET Bottle Grade was reduced from 10% to 7.5% but in the year 2010 it was increased to 9%.

In addition to above, modality of tariff escalation for PET Resins in Pakistan is also different. Customs duty levied on 'PET Film Grade' (raw material) is 20% and on 'BOPET Film', which is a finished product, it is 20%. Such duty structure gives competitive advantage to the sole manufacturer of PET Resins (raw material), who also competes in the downstream market (finished products), by increasing the cost of production of its competitors. The increase in cost of competitors may be either through higher local price of raw material or incidence of higher tariff on it.

The Commission appreciates that duty

protection is essential to recoup the investment, allowing the investor time to become competitive, however, duty protection cannot be absolute and has to be time bound, particularly when the undertaking enjoying the duty protection also enters the downstream market and becomes a competitor for customers. Long duration of protection, positive growth, and financial strength are strong indicators to establish the fact that continuation of duty protection is unwarranted.

In view of the foregoing, the Commission issued a Policy Note recommending to FBR and National Tariff Commission (NTC) that the tariff structure of PET Resins, in particularly PET Bottle Grade, PET Film Grade and PET Yarn Grade needs to be slashed down to a uniform rate to eliminate discrimination in terms of classification and rates of duty, in order to create a level playing field for all the competitors in PET Bottle and BOPET Film markets.

#### RECOMMENDATION BY THE COMMISSION

Uniform tariff rate which would result in creating a level playing field for all competitors.



# Financial Statements

For the Year Ended June 30, 2013



**COMPETITION COMMISSION OF PAKISTAN**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2013**

	NOTE	2013	2012
(Rupees)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	27,618,733	28,561,980
Long term loans, advances and deposits	5	17,195,719	10,991,516
<b>CURRENT ASSETS</b>			
Short term investments	6	103,000,000	10,000,000
Advances, prepayments and other receivables	7	34,213,360	27,954,337
Cash and bank balances	8	10,816,220	90,189,958
		148,029,580	128,144,295
		192,844,032	167,697,791
<b>FUNDS AND LIABILITIES</b>			
<b>FUND ACCOUNT</b>			
		(57,166,129)	(33,524,947)
<b>DEFERRED LIABILITIES</b>			
General provident fund		2,867,873	2,519,945
Pension fund	9	174,036,463	136,424,500
Liability under finance lease	10	14,791,056	20,057,376
Provision for leave encashment		17,952,501	14,181,352
Gratuity		34,473,309	23,684,164
Restricted grant IDRC		353,728	353,728
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities	11	5,446,820	3,394,497
Provision for tax	12	88,412	607,177
		5,535,232	4,001,674
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13	-	-
		192,844,032	167,697,791

The annexed notes from 1 to 17 form an integral part of these financial statements.

  
 CHAIRPERSON

  
 DIRECTOR (ACCOUNTS)



**COMPETITION COMMISSION OF PAKISTAN**  
**STATEMENT OF INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	NOTE	2013	2012
		(Rupees)	
<b>Income</b>			
Fee income	14	70,611,651	60,717,700
Government grant-unrestricted		200,000,000	180,000,000
Interest income on investment		4,419,061	4,742,993
Interest income-advances to employees		4,410	260,555
Other income	15	862,874	1,978,673
		275,897,996	247,699,921
<b>Expenditure</b>			
Salaries, allowances and other benefits	16	211,394,111	167,614,504
Operating expenditures	17	75,838,242	63,504,280
Depreciation		11,901,228	12,147,277
		299,133,581	243,266,061
Surplus/ (Deficit) for the year before tax		(23,235,585)	4,433,860
Income tax expense		353,058	607,177
Surplus/ (Deficit) for the year after tax		(23,588,643)	3,826,683

The annexed notes from 1 to 17 form an integral part of these financial statements.

  
 CHAIRPERSON

  
 DIRECTOR (ACCOUNTS)

**COMPETITION COMMISSION OF PAKISTAN**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Notes	2013	2012
	(Rupees)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Surplus/ (Deficit) for the year before taxes	(23,235,585)	4,433,860
Adjustments for non-cash items:		
Depreciation	11,901,228	12,147,277
Profit/(Loss) on sale of fixed assets	(93,666)	(1,568,439)
Provision for gratuity	14,311,138	9,074,661
Provision for leave encashment	5,858,356	3,976,133
Provision for pension	49,599,837	25,134,010
Amortization of intangible asset	-	1,195,981
Operating cash flows before working capital changes	58,341,308	54,393,483
Increase/(Decrease) in advances, prepayments and other receivables	(6,259,023)	53,786
Increase/(Decrease) in accrued and other liabilities	2,158,424	(992,687)
	(4,100,599)	(938,901)
Increase in pension fund	-	-
Payments from pension fund	(11,987,874)	(10,069,210)
General provident fund deductions	225,288	210,804
Payment of gratuity	(3,521,993)	(1,173,546)
Payment of leave encashment	(2,087,207)	(894,749)
Income tax paid/adjusted	(871,823)	(1,134,692)
<b>Net cash flow from operating activities</b>	<b>35,997,100</b>	<b>40,393,189</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Increase)/Decrease in long term loans and advances	(6,240,203)	(1,155,988)
(Increase)/Decrease in long term investments	(93,000,000)	26,000,000
(Addition) in fixed assets	(10,997,315)	(3,626,367)
Increase/(Decrease) in finance lease liability	(5,266,320)	(3,138,624)
Proceeds from sale of fixed assets	133,000	1,914,941
<b>Net cash flow from investing activities</b>	<b>(115,370,838)</b>	<b>19,993,962</b>
<b>Net cash used in financing activities</b>	<b>-</b>	<b>-</b>
Increase in cash and cash equivalents during the year	(79,373,738)	60,387,151
Cash and cash equivalents at the beginning of the year	90,189,958	29,802,808
<b>Cash and cash equivalents at the end of the year</b>	<b>10,816,220</b>	<b>90,189,958</b>

The annexed notes from 1 to 17 form an integral part of these financial statements.

*Vadique Khan*

*[Signature]*

**COMPETITION COMMISSION OF PAKISTAN**  
**STATEMENT OF CHANGES IN FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Net assets acquired from MCA	Surplus/ (Deficit) for the year	Total
	Rupees		
Balance as at June 30, 2010	(50,752,362)	20,739,183	(30,013,179.00)
Adjustment for prior year provision for income tax	-	(578,818)	(578,818.00)
Balance as at June 30, 2010 (restated)	(50,752,362)	20,160,365	(30,591,997.00)
Surplus/(Deficit) for the year ended June 30, 2011	-	(6,242,155)	(6,242,155.00)
Balance as at June 30, 2011 (restated)	(50,752,362)	13,918,210	(36,834,152.00)
Surplus/(Deficit) for the year ended June 30, 2012	-	3,826,683	3,826,683
Adjustment for prior year TA/DA Advances		(517,478)	(517,478.00)
Balance as at June 30, 2012	(50,752,362)	17,227,415	(33,524,947.00)
Prior Period Adjustment		(52,539)	(52,539.00)
Surplus/(Deficit) for the year ended June 30, 2013	-	(23,588,643)	(23,588,643.19)
Balance as at June 30, 2013	(50,752,362)	(6,413,767)	(57,166,129.19)

The annexed notes from 1 to 17 form an integral part of these financial statements.



CHAIRPERSON



DIRECTOR (ACCOUNTS)

**COMPETITION COMMISSION OF PAKISTAN**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**1 LEGAL STATUS AND OPERATIONS**

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

The Head Office of the Commission is situated at 7th, 8th and 9th floor of ISE Building, Blue area, Islamabad.

**2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

These financial statements are prepared in accordance with approved accounting standards as applicable in Pakistan, provisions of and regulations issued under the Competition Act 2010 and accounting policies stated in Note 3 to these financial statements. Approved accounting standards comprise of Accounting and Financial Reporting Standards for Small & Medium Sized Entities (SMEs) issued by the Institute of Chartered Accountants of Pakistan.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Accounting convention**

These accounts have been prepared under the historical cost convention on accrual basis of accounting except the cash flow information and as otherwise stated in respective policies and notes given hereunder.

**3.2 Significant accounting estimates and judgments**

The preparation of financial statements in conformity with the Accounting and Financial Reporting Standards for the Small & Medium Sized Entities issued by the Institute of Chartered Accountants of Pakistan, requires management to make judgments, 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 judgment 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 affected.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables, provision for pension fund, provision for gratuity and provision for leave encashment. However, assumptions and judgments made by the management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

**3.3 Property, plant and equipment**

**Owned**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, 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. Full year depreciation is charged in the year of purchase while no depreciation is charged in the year of disposal.

Maintenance and normal repairs are charged to income and expenditure account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are written off. Gains and losses on disposal of property, plant and equipment, if any, are included in the income and expenditure account.

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**COMPETITION COMMISSION OF PAKISTAN**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**3.4 Intangible assets**

Intangible assets under development are stated at cost.

Intangible assets which are available for use are stated at cost less accumulated amortization and accumulated impairment losses and are amortized on a systematic basis over their estimated useful lives.

**3.5 Investments**

Investments with fixed or determinable payments and fixed maturity of less than a year, are carried at cost.

**3.6 Receivables**

These are stated at cost less allowance for any uncollectible receivables.

**3.7 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks on current and deposits accounts.

**3.8 Pension fund**

The pension is payable to employees of defunct Monopoly Control Authority(MCA). An employee is eligible for pension after the completion of qualifying service of twenty 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, by way of charge to income and expenditure account, calculated in accordance with the actuarial valuation. The most recent valuation in this regard was carried out as at June 30, 2013 using the projected unit credit method.


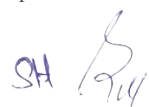
**3.9 Contributory provident fund**

As per clause (2) of chapter (7) of the Competition Commission (Service) Regulations, 2007 Contributory provident fund trust is required to be established for the benefits of the employees and Members of the Commission including the Chairperson. The Commission has not for the time being introduced the CPF due to its stringent financial position. However, the Commission, having regard to the interest of employees, does not intend to eliminate the scheme of CPF altogether. It may consider introducing the CPF, when its financial position improves.

Currently the Commission operates general provident fund in which employees of the defunct MCA are contributing as per the rates specified by the Government, and includes the option of having interest free or interest bearing accounts. Interest bearing accounts are credited annually with the interest rate, announced by the Government.

**3.10 Staff gratuity**

The Commission operates an unfunded staff gratuity scheme for eligible employees. The amount of gratuity admissible shall be the sum equal to one month's gross salary drawn immediately preceding the date of the employee ceasing to be in the service of the Commission or his death, for each completed year of service in the Commission. Any part of service in excess of six months will be considered as one completed year for purposes of gratuity. The difference between the current and the previous liability is charged to income and expenditure account as expense for the year.



**COMPETITION COMMISSION OF PAKISTAN**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**3.11 Leave encashment**

The Commission provides for annual leave encashment of its eligible employees. Leave on full pay shall be earned at the rate of two working days for every calendar month of the period of duty. The duty period for more than fifteen days in a month shall be treated as a full calendar month for this purpose. The maximum limit of accumulation of earned leave shall be 60 working days as on 31 December of the year, i.e. any leave balance over and above 60 working days as on 31 December shall stand lapsed. No employee shall proceed on earned leave without prior approval of the competent authority, in writing. The difference between the current and the previous liability is charged to income and expenditure account as expense for the year.

Encashment of accumulated earned leave up to 60 working days subject to availability shall be allowed to employees of the Commission on cessation of employment, other than dismissal or removal from service on disciplinary grounds.

**3.12 Accrued and other liabilities**

These are carried at cost which is the fair value of the consideration to be paid in the future.

**3.13 Revenue recognition**

Fees, other recoveries and grant from Government of Pakistan are recognized as and when the Commission establishes right over sums received. The grant from Government of Pakistan is a non returnable contribution to the Commission Fund and therefore is recognized as income in the period to which it relates. The restricted grant is recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Profit on investment and bank balance is recognized on accrual basis.

**3.14 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.

**COMPETITION COMMISSION OF PAKISTAN  
FIXED ASSETS SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

4 Property, plant and equipment

Particulars	As on July 1, 2012		Addition	Cost (Deletion)		As on June 30, 2013	Rate %	As on July 1, 2012		Depreciation For the Period		As on June 30, 2013	WDV As on June 30, 2013	Assets fully depreciated as on June 30, 2012
	Rs.	Rs.		Rs.	Rs.			Rs.	Rs.	Rs.	Rs.			
<b>For the year 2012-13</b>														
Office Refurbishment	7,783,404	3,037,889	-	10,821,293	17	2,560,450	1,839,620	-	4,400,070	6,421,223	-			
Furniture and fixtures	10,237,933	3,647,600	-	13,885,533	20	8,074,738	1,599,748	9,674,486	5,886,795	4,211,047				
Computer and electronics	14,193,861	1,992,852	(178,970)	16,007,743	33	13,446,324	1,069,480	(139,636)	14,376,168	1,631,575				
Office equipments	3,601,728	652,490	(450,000)	3,804,218	20	2,582,810	595,569	(450,000)	2,728,379	1,075,839				
Vehicles-Owned	4,767,936	1,666,484	-	6,434,420	20	3,508,341	746,884	4,255,225	2,700,000	2,179,195				
Vehicles-Leased	24,199,708	-	-	24,199,708	25	6,049,927	6,049,927	-	12,099,854	12,099,854				
	64,784,570	10,997,315	(628,970)	75,152,915		36,222,590	11,901,228	(589,636)	47,534,182	27,618,733				

Particulars	As on July 1, 2011		Addition	Cost (Deletion)		As on June 30, 2012	Rate %	As on July 1, 2011		Depreciation For the Period		As on June 30, 2012	WDV As on June 30, 2012	Assets fully depreciated as on June 30, 2011
	Rs.	Rs.		Rs.	Rs.			Rs.	Rs.	Rs.	Rs.			
<b>For the year 2011-12</b>														
Office Refurbishment	7,278,067	505,337	-	7,783,404	17	1,237,271	1,323,179	-	2,560,450	5,222,954				
Furniture and fixtures	9,716,525	823,323	(301,915)	10,237,933	20	6,268,683	2,047,587	(241,532)	8,074,738	2,163,195				
Computer and electronics	13,225,838	968,023	-	14,193,861	33	11,661,137	1,785,187	-	13,446,324	747,537				
Office equipments	3,785,830	231,810	(415,912)	3,601,728	20	2,470,912	527,810	(415,912)	2,582,810	1,018,918				
Vehicles-Owned	7,191,420	94,166	(2,517,650)	4,767,936	20	5,326,284	413,587	(2,231,530)	3,508,341	1,259,595				
Vehicles-Leased	-	24,199,708	-	24,199,708	25	-	6,049,927	-	6,049,927	18,149,781				
	41,197,680	26,822,367	(3,235,477)	64,784,570		26,964,287	12,147,277	(2,888,974)	36,222,590	28,561,980				

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**COMPETITION COMMISSION OF PAKISTAN**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

		2013	2012
<b>5</b>	<b>LONG TERM LOANS, ADVANCES AND DEPOSITS</b>		
	Loans and advances to employees- considered good	5.1 23,714,535	14,532,852
	Less: Short term portion	9,074,912	5,383,596
		14,639,623	9,149,256
	Security deposits	2,556,096	1,842,260
		17,195,719	10,991,516
<b>5.1</b>	Prior to July 2010, interest bearing loans were being given to employees for house building, car and motor cycle, at the interest rates announced by the Federal Government from time to time, while interest free loans were being given to employees for cycle and general purposes. From July 2010 onwards, consequent to the S.R.O 666 (I)2010 dated 19-07-2010 of the Commission, all the loans and advances to employees are given interest free.		
<b>6</b>	<b>SHORT TERM INVESTMENTS</b>		
	G.P fund investment	-	-
	Pension fund investment	-	10,000,000
	Main account investments	6.1 103,000,000	-
		103,000,000	10,000,000
<b>6.1</b>	These investments are held with National Bank in Term Deposit Receipts (TDRs) for a period of 3 months at the mark-up of approximately 8.50% per annum.		
<b>7</b>	<b>ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Short term portion of loans and advances to employees- considered good	9,074,912	5,383,596
	General provident fund advance- considered good	161,423	95,926
	Other advances- considered good	2,267,457	1,804,789
	Prepayments	19,911,290	19,052,849
	Withholding tax deducted at source	1,567,445	75,526
	Interest receivable on investment- considered good	234,626	232,567
	Interest receivable-advances to employees-considered good	769,118	1,081,995
	Other receivable- considered good	227,089	227,089
		34,213,360	27,954,337
<b>8</b>	<b>CASH AND BANK BALANCES</b>		
	Cash in hand	50,000	13,599
	Cash at bank:		
	Current account-CCP- National Bank of Pakistan	(6,815,132)	16,638,308
	Current account-Pension fund- National Bank of Pakistan	15,411,825	71,607,693
		8,596,693	88,246,001
	Deposit account		
	PLS account-G.P fund- National Bank of Pakistan	2,169,527	1,930,358
	PLS account-G.P fund Deutsche Bank	-	-
		2,169,527	1,930,358
		10,816,220	90,189,958
<b>9</b>	<b>PENSION FUND</b>		
	Opening balance	136,424,500	121,359,700
	Payments during the year	(11,987,874)	(10,069,210)
	Expense for the year	49,599,837	25,134,010
	Closing Balance	174,036,463	136,424,500




**COMPETITION COMMISSION OF PAKISTAN**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	2013	2012
<b>10</b>	<b>LIABILITY UNDER FINANCE LEASE</b>	
Opening balance	20,057,376	23,196,000
Payments during the year	(5,266,320)	(3,138,624)
Closing balance	<u>14,791,056</u>	<u>20,057,376</u>
<b>11</b>	<b>ACCRUED AND OTHER LIABILITIES</b>	
Accrued expenses	4,999,915	260,237
Withholding tax payable	296,741	225,000
Audit Fees	-	225,000
Other liabilities	150,164	3,394,497
	<u>5,446,820</u>	<u>4,104,734</u>
<b>12</b>	<b>PROVISION FOR TAX</b>	
Opening balance	607,177	1,134,692
Provision for income tax - prior years	-	-
Provision for income tax - current years	353,058	607,177
	<u>960,235</u>	<u>1,741,869</u>
Income tax paid/adjusted	(871,823)	(1,134,692)
	<u>88,412</u>	<u>607,177</u>

**13** CONTINGENCIES AND COMMITMENTS

**13.1** Contingencies

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

b) Under Section 20(2)(f) of the Competition Act, 2010 read with S.R.O 1292(I)/2008 dated 23-12-2008, a statutory charge in the amount of 3% of the fee and charges collected by other regulatory bodies, is payable to the Commission by five regulatory bodies. The regulatory bodies have not yet paid the 3% charge to the Commission.

**13.2** Commitments

There are no material capital commitments as at June 30, 2013 (2012: Nil).




**COMPETITION COMMISSION OF PAKISTAN**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	2013	2012
<b>14 FEE INCOME</b>		
Acquisition fee	56,900,851	44,900,000
Exemption fee	11,250,000	8,525,000
Merger / amalgamation fee	2,200,000	5,400,000
Joint Venture fee		950,000
Complaint lodging fee	245,000	579,200
Advice fee	-	357,900
Other fees	15,800	5,600
	<u>70,611,651</u>	<u>60,717,700</u>
<b>15 OTHER INCOME</b>		
Profit on sale of fixed assets	93,666	1,568,439
Miscellaneous income	769,208	410,234
	<u>862,874</u>	<u>1,978,673</u>
<b>16 SALARIES, ALLOWANCES AND OTHER BENEFITS</b>		
Basic salary	78,640,919	70,364,245
House rent allowance	36,317,996	33,283,604
Conveyance allowance	3,159,420	2,959,613
Dearness allowance	140,625	146,470
Washing allowance	720	720
Special additional allowance	77,267	72,034
Medical allowance	4,884,592	4,449,344
Entertainment allowance	10,000	76,344
Orderly allowance	605,613	576,000
Adhoc allowance	2,621,370	2,696,026
Special adhoc allowance	134,086	120,324
Integrated allowance	12,600	12,600
Utilities allowance	5,481,257	5,009,167
Additional charge allowance	745,328	650,440
Overtime allowance	118,000	118,560
Honorarium	744,267	1,481,497
Medical charges	1,250,219	1,263,026
R & R	6,010,357	5,114,181
Other allowances	66,560	49,500
Arrears	445,682	746,054
Gross salaries, allowances and other benefits	141,466,878	129,189,749
Less: Deductions for leave without pay	-	-
Salaries, allowances and other benefits	141,466,878	129,189,749
Pension contribution of employees on deputation	143,488	239,951
Group Insurance Subscription	14,414	
Provision for pension	49,599,837	25,134,010
Provision for leave encashment	5,858,356	3,976,133
Provision for gratuity	14,311,138	9,074,661
	<u>211,394,111</u>	<u>167,614,504</u>






**COMPETITION COMMISSION OF PAKISTAN**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	2013	2012
17 OPERATING EXPENDITURES		
Travelling & conveyance	11,196,294	11,600,919
Rent for office building	30,073,218	19,335,690
Office building services charges	2,583,389	1,675,825
Finance Charges	3,240,822	3,606,399
Communications	4,072,487	4,028,969
Utilities	4,179,775	3,133,316
Security services	1,325,335	1,228,120
Printing and stationery	1,752,964	1,409,831
Legal and professional charges	8,267,080	5,255,320
Consultancy expense	2,600,998	2,946,000
Fee & subscription	178,780	1,695,260
Advertisement & Publicity	1,739,632	1,196,936
Conference/ work shop/ seminar	675,284	234,421
Repair and maintenance	1,145,274	897,753
Office supplies	265,871	610,734
Entertainment	580,323	568,376
Newspaper and periodicals	572,666	472,494
Uniforms and protective clothing	130,437	165,593
Insurance of vehicles	684,449	638,278
Audit fee	-	237,000
Postage and telegraph	149,728	263,313
Scholarships & Merits	-	424,241
Bank charges	22,843	7,664
Amortization of intangible asset	-	1,195,981
Other expenditures	400,594	675,847
	<u>75,838,242</u>	<u>63,504,280</u>

17.1 This represents the Finance Cost of Ijarah lease rental payments made to the Bank Islami Pakistan for fourteen vehicles.



CHAIRPERSON



DIRECTOR (ACCOUNTS)





**Competition Commission of Pakistan**  
Creating a level playing field

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