

## SEMINAR REPORT

# Adverse Impact of Cartels

Seminar organized by Competition Commission  
of Pakistan on World Competition Day

5/12/2012



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

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## Introduction

On 5th December 1980, the UN General Assembly at its 35<sup>th</sup> meeting adopted the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices (UN Set). As a commemoration of this, a proposal to declare 5<sup>th</sup> of December as the World Competition Day (WCD) is being supported by many competition agencies around the world by writing formal letters to the United Nations Conference on Trade and Development (UNCTAD) and organizing seminars and other activities. The theme for this year was “Adverse Impact of Cartels” with the purpose of creating awareness about the importance and benefit of competition by curbing Cartels.

The Competition Commission of Pakistan (CCP) marked the day by holding a seminar for academia on “the role of competition agencies” with a theme “Adverse Impact of Cartels”. This introductory seminar aimed at creating awareness in academia about the law, which has assumed increasing importance in economic regulation. The seminar offered an insight in cartelization and its various forms, the importance of competition law with the help of case studies, and a brief introduction to the role of the Competition Commission of Pakistan. The Commission’s advocacy initiative with the academia to introduce competition law as a voluntary subject was also highlighted in the seminar.

## Seminar setting

The seminar was held in the newly launched spacious auditorium of CCP. About 60 students of MBA and other economic subjects and students and faculty members from five leading universities, i.e. National University of Science and Technology (NUST), Shaheed Zulfiqar Ali Bhutto Institute of Science and Technology (SZABIST), Quaid-e-Azam University Islamabad, and International Islamic University attended the seminar.

The speakers included the Chairperson, Ms. Rahat Kaunain Hassan, Member Mergers & Acquisitions and International Affairs, Dr. Joseph Wilson, and Member Advocacy and IT, Ms. Vadiyya Khalil.

Students and faculty members expressed gratitude to the Commission for organizing the seminar. The feedback of the participants confirmed that the seminar was very much appreciated as well as that there is a pressing need for more of such interactions and for other opportunities to learn about the Commission’s actions and initiatives and the significance of the subject.

## Aims and objectives

The objective of the seminar was to highlight the importance of the World Competition Day with special focus on cartelization and its ill effects on the economy besides creating awareness about the role of CCP in academia.



## The seminar

The seminar was opened by the Chairperson Ms. Rahat Kaunain Hassan, who gave an introduction to the topic and overview of the importance of World Competition Day. She discussed not only the initiatives of the Commission in enforcement and advocacy of the competition law, but also emphasized the need for an active role to be played by all stakeholders including the academia in creating awareness about the competition issues. She also briefly discussed the performance of CCP and its achievements in the enforcement and advocacy of the competition law and the challenges faced by the Commission. She said that because of fearless, firm and fair approach, CCP has made great strides in enforcement of competition law. In a short span of five years, CCP has passed 58 decisions/orders, concluded 34 enquiry reports, issued 416 show cause notices, carried out 14 search and inspections, processed 396 exemptions, carried out various sectoral/research studies, issued 13 policy notes and 311 merger NOCs, she added. She further informed the participants that penalties in a total sum of PKR 8.542 billion had been imposed by CCP on various undertakings and associations.

The Chairperson informed the participants that as a result of effective enforcement, the Commission got 'Fair' rating in independent evaluation by the Global Competition Review (GCR) in 2010 and 2011, and was also shortlisted by GCR for the Enforcement Award in the category 'Agency of the Year – Asia-Pacific, Middle East and Africa' for 2012.



CCP Chairperson Ms. Rahat Kaunain Hassan addressing the seminar



After her opening remarks, before discussing the theme of the seminar, she invited Member Dr. Joseph Wilson to give a presentation on key provision of the Competition Act, 2010.

### Presentation on Competition Act, 2010

Dr. Wilson gave a presentation to explain the key provisions of the Competition Act. He started off by giving a brief overview of the evolution of the competition law in Pakistan. He helped participants walk through the ups and downs that the Commission saw during its formative phase and the challenges it faced. Then he explained Section 3 (Abuse of Dominant Position), Section 4 (Prohibited Agreements), Section 10 (Deceptive Marketing Practices), Section 11 (Approval of Mergers), Section 29 (Competition Advocacy), Section 34 (the Powers to conduct search and inspection) and Section 39 (Leniency). He cited various case studies to help the participants understand the provisions of law.



CCP Member Dr. Joseph Wilson giving a presentation on Competition Act, 2010

### Adverse impact of cartels

After presentation by Dr. Wilson, the Chairperson discussed the theme of the seminar, i.e. Adverse Impact of Cartels, and instead of a speech, she engaged the participants and interacted with them by asking questions such as, what do you understand by a cartel, what are the harms of cartel, what is leniency, etc, then explaining these. This triggered a lot of interest in the



participants and they truly felt involved in the seminar. She said cartel is conspiracy among competitors against consumers that involves price fixing, quota fixing, dividing/sharing markets, and collusive tendering or bidding. Explaining the harmful effects of cartels, the Chairperson said that cartels steal billions of dollars from businesses, taxpayers and ultimately from consumers. Consumers benefit from competition through lower prices and better choice and quality products and services, but when competitors agree to forego competition and collude, consumers lose those benefits. In competitive markets, producers compete by driving down prices, but competition may also compel them to innovate, leading to increased productivity and economic growth. In contrast, a cartel may have incentive to neither decrease price nor innovate thus leaving harmful effects on consumers apart from restricting consumer choice. She then gave examples from CCP's enforcement actions against cartels to illustrate various aspects.

The Chairperson said that it wasn't so easy to bust cartels as it required a lot of hard work and dedication of a team to conclude the enquiries. She also discussed the provisions relating to leniency and search and inspections and that how these were tactfully used by the committed team of the Commission to hunt down various cartels.

She said that the Commission as one of the most active law enforcement agencies in Pakistan has made its mark as a vigilant government authority. It has significant enforcement actions; unveiled some significant cartels that have a far reaching impact in industries like, banking, cement, sugar, LPG, poultry, edible oil, and have taken actions against powerful lobbies and vested interest that has earned CCP the reputation as a fair and independent governmental agency, both at national as well as international level. It has taken actions against various trade and professional associations such as Pakistan Banking Association, All Pakistan Newspapers Society, All Pakistan Cement Manufacturers Association, Pakistan Poultry Association, Jute Mills Association, Pakistan Ship's Agent Association, All Pakistan Sugar Mills Association, Institute of Chartered Accountant Pakistan, etc.

The Chairperson then invited Member Advocacy Ms. Vadiyya Khalil to brief the participants of the seminar on Advocacy side.

### Competition Advocacy

Ms. Khalil briefly discussed section 29 of the Competition Act that deals with Competition Advocacy. She said the Commission was using all available resources to create awareness about the competition law by holding seminars, national and international conferences, Competition Consultative Group (CCG) meetings, media briefings and issuing press releases on enforcement actions. A Voluntary Competition Compliance Code (VCC Code) is another key advocacy initiative of the Commission, which has been sent to companies for adoption, she added.



### Questions & Answers

Ample time was allocated for questions and answers and the Chairperson and Members responded to various questions about the provisions of Competition Act, the Commission's powers to carry out search and inspections and grant of leniency.

### Certificate distribution

At the end of the seminar, certificates were distributed among the participants.



Participants receiving certificates from the Chairperson



## Press clippings

**Daily Times**  
Your Right to Know A New Voice for all from Pakistan

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## CCP holds seminar to mark World Competition Day

■ Calls for coordinated efforts to curb cartelisation

**ISLAMABAD:** On the World Competition Day, marked under the theme, 'Adverse Impact of Cartels' by many competition agencies across the world on Wednesday, the Competition Commission of Pakistan (CCP) held a seminar for academia and called for coordinated efforts to curb cartelisation, the most pernicious anti-competitive conduct.

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

The World Competition Day is marked to commemorate the adoption of the UN Set on Competition Policy on December 5, 1980, which is a multilateral agreement on competition policy that provides a set of equitable rules for the control of anti-competitive practices; recognises the development dimension of competition law and policy, and provides a framework for international operation and exchange of best practices.

While addressing the seminar, the chairperson emphasised the need for the introduction of an academic course regarding competition law at premier academic institutions, which will further create awareness, and ignite interest, in this field of law which has assumed increasing importance in economic regulation. "It will seek to create a nexus between the competition regime and the academic circles in the country providing sustainable increase in knowledge relating to competition issues," she added.

The participants were briefed on the enforcement of Competition Law, with particular focus on Section 4 of the Competition Act that deals with cartelisation. They were informed that during the last five years that the commission had moved very decisively against cartelisation in various sectors, like banks, cement, chartered accountancy, stock exchanges, dredging, poultry, telecom, jute, power, shipping, cooking oil and ghee, media. The commission had imposed fines of Rs 8.5 billion for different violations of competition law. However, the effectiveness of the commission's orders and actions shall be more visible upon disposal of pending cases before the courts. The chairperson informed the participants that the commission was currently dealing with several cases including poultry, entertainment, urea or fertilizer, telecom and aviation sectors.

She said that the commission's effectiveness and its performance has been internationally acknowledged, adding that as a result of effective enforcement, the commission got 'fair' rating in independent evaluation by the Global Competition Review (GCR) in 2010 and 2011, and was also short-listed by GCR for the Enforcement Award in the category 'Agency of the Year - Asia-Pacific, Middle East and Africa' for 2012. She further informed regarding peer review of the Commission by the United Nations Commission on Trade and Development (UNCTAD). The peer review has been requested for and undertaken by CCP and the evaluation will be shared at the next meeting of UNCTAD expected to be held in July next year which will be presented before 152 countries. The chairperson said that the peer review is an effort on behalf of CCP for the strengthening of the institution as well as building the image of Pakistan.

The chairperson reiterated CCP's commitment to pursue hardcore anti-competitive conduct like, horizontal agreements among competitors not to compete such as price fixing, bid rigging and market allocation. She emphasised that all stakeholders including the government, the business community, judiciary, media, and consumer right groups can play a crucial role to strengthen and help CCP detect cartels and purge Pakistan's economy of this 'supreme evil of anti-trust', as described by the US Justice Department. **STAFF REPORT**

### SDPI organises third 'World Competition Day'

**ISLAMABAD:** Observing the third 'World Competition Day', the speakers at a seminar demanded strict measures to protect consumers from cartels. They also demanded independence of regulators, effective enforcement and monitoring mechanism, awareness raising and healthy business practices. The speakers were discussing at a seminar on 'Adverse Impact of Cartels on the Poor' organised by Sustainable Development Policy Institute (SDPI) to contribute to international efforts to celebrate December 5 as 'World Competition Day'. The culture of competition is quite weak in many countries and consumers have limited understanding about the harmful effects of cartels. Thus, the World Competition Day allows a scope for greater discussions and dissemination of the beneficial effects of competition on the average consumer - either directly or indirectly. In effect, it is expected to result in greater public understanding and support on the need to crack down cartels. Chairing the proceedings, SDPI Economic Growth Unit Head Dr Vaqar Ahmed maintained that consumer as a constituent has always been ignored in public policy discourse and economic growth agenda in Pakistan. He appreciated the revised 'Competition Act 2010', calling it a big achievement, but at the same time raised concern that markets in Pakistan are not still open and performing in a responsible manner. **STAFF REPORT**

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She said that the commission's effectiveness and its performance has been internationally acknowledged, adding that as a result of effective enforcement, the commission got 'fair' rating in independent evaluation by the Global Competition Review (GCR) in 2010 and 2011, and was also short-listed by GCR for the Enforcement Award in

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## World Competition Day: providing a level playing field for competitors

By A Reporter

**ISLAMABAD, Dec 5:** Cartels are a major drain on the economy and restrict innovation and growth, said experts, while highlighting the importance of strict implementation of competition laws in the country.

While the Competition Commission of Pakistan (CCP) on its part, has imposed fines amounting to 8.5 billion, on business entities violating competition laws. But violators have obtained stay orders from various courts.

In this regard, a number of seminars were held on Wednesday to commemorate the 'World Competition Day'. Speakers demanded strict measures to be taken, to protect consumers from cartels. They also demanded independence of regulators, effective enforcement and monitoring mechanism, awareness campaigns and healthy business practices.

"The effectiveness of the CCP's orders and actions shall be more visible, after disposal of pending cases before the courts," said Rahat Kaunain Hassan, Chairperson CCP, while speaking at a seminar.

She informed that the Commission was currently dealing with several cases, including poultry, entertainment, urea/fertiliser, telecom and aviation sectors.

In the last five years, the CCP has moved against cartelisation in various sectors: banks, cement, chartered accountancy firms, stock exchanges, dredging, poultry, telecom, jute, power sector, shipping, cooking oil and media.

"We are committed to giving competitors a level playing field. And in the process discouraging price fixing, bid rigging and market allocation," Ms Hassan stressed.

Meanwhile, at another seminar, titled, 'Adverse impact of cartels on the poor' organised by Sustainable Development Policy Institute (SDPI), the focus was on creating awareness in the society and using the World Competition Day as a platform.

Waseem Hashmi from Consumer Rights Commission of Pakistan (CRCP) said that increasing influence of cartels, even in policy making circles, had made it harder to make them accountable.

"Not only consumers but even new entrants to the industry, are severely affected by malpractices in the business sector," he added. He informed that Punjab has only 11 consumer courts, in 36 districts, under the act of 2005. Whereas, there is little work done in Khyber Pakhtunkhwa and Balochistan and no competition bill enacted in Sindh.

He also added that people are not aware of consumer courts and don't know how to approach them.

Dr Vaqar Ahmed, Head of Economic Growth Unit, SDPI, maintained that the consumer has always been ignored in the public policy discourse and economic growth agenda in Pakistan.

"Now when Pak-India trade liberalisation initiatives are being taken, there is a need for synergy between competition agencies in South Asia to restrict the negative impacts of cross border trade," Dr Vaqar added.





## CCP for creating awareness on ills of cartelisation

**RECORDER REPORT**  
**ISLAMABAD:** Chairperson Competition Commission of Pakistan (CCP) Rahat Khatun stressed the need for introducing a compact academic course on competition law to promote institutions to create an arena about cartelisation and value of free-market economy among future policy makers.

Addressing a seminar on the occasion of the World Competition Day, with the theme, 'Adverse Impact of Cartels' here on Wednesday, the CCP Chairperson said that the introduction of academic courses on competition law at leading universities etc will create awareness and ignite interest in this particular field of law which has assumed increasing importance in economic legislation.

"It will seek to create a nexus between the competition regime and the academic circles in the country providing sustainable increase in knowledge relating to competition issues," she added.

The World Competition Day has been marked by many competition agencies across the world and the CCP held a seminar for academics and called for coordinated efforts to curb cartelisation, the most pernicious anti-competitive conduct.

The Chairperson informed the participants that the Commission was currently dealing with several cases including poultry, entertainment, urea fertilizer, telecom and aviation sectors.

She said that the Commission's effectiveness and its performance has been internationally acknowledged, adding that as a result of effective enforcement, the Commission got 'Fair' rating in independent evaluation by the Global Competition Review (GCR) in 2010 and 2011, and was also shortlisted by GCR for the Enforcement Award in the category 'Agency of the Year - Asia-Pacific, Middle East and Africa' for 2012. They were further informed regarding past review of the Commission by the

United Nations Commission on Trade and Development (UNCTAD).

The past review has been requested for and volunteered by CCP and the evaluation will be shared at the next meeting of Unctad expected to be held in July next year which will be presented before 152 countries. The Chairperson said that the past review is an effort on behalf of CCP for the strengthening of the institution as well as building the image of Pakistan.

The Chairperson reiterated CCP's commitment to pursue hard core anti-competitive conduct i.e., horizontal agreements among competitors not to compete such as price fixing, bid rigging and market allocation. She emphasised that all stakeholders including the government, the business community, judiciary, media and consumer right groups can play a crucial role to strengthen and help CCP detect cartels and purge Pakistan's economy of this 'supreme evil of anti-trust', as described by the US Justice Department.

The seminar was attended, from the Commission, by Chairperson Rahat Khatun Hassan, Members Dr Joseph Wilson and Vaidya Khalid, and from academia by large number of students and faculty members of various universities, i.e. National University of Science and Technology (NUST), Scabi, Quaid-i-Azam University and Baluch University.

The World Competition Day is marked to commemorate the adoption of the UN Set on Competition Policy on December 5, 1980, which is a multilateral agreement on competition policy that provides a set of equitable rules for the control of anti-competitive practices, recognises the development dimension of competition law and policy, and provides a framework for international operation and exchange of best practices.

The participants were briefed on the enforcement of Competition Law, with particular focus on Section 4 of the Competition Act, that deals with cartelisation. They were informed that

the during the last five years, the Commission has moved very decisively against cartelisation in various sectors, i.e. banks, cement, chartered accountancy, stock exchanges, dredging, poultry, telecom, jute, power, shipping, cooking oil and phar. media. The Commission has imposed fines of Rs 8.5 billion for different violations of competition law.

However, the effectiveness of the Commission's orders actions shall be more visible upon disposal of pending cases before the courts.

Earlier, CCP Member Dr. Joseph Wilson gave a detailed presentation on the Competition Act of 2010. CCP Member Vaidya Khalid briefed the participants on the advocacy strategy of CCP. The participants took keen interest in the seminar.

At a second session on 'Adverse Impact of Cartels on the Poor' organized by Sustainable Development Policy Institute (SDPI), Nadeem Director Enforcement of Competition Commission of Pakistan (CCP) briefed participants on various aspects

of cartelisation debate and informed participants that CCP was diligently protecting the rights of consumer by ensuring that anti-competitive business practice were controlled which mainly entails collaborative price fixation, territory customers division, restricting production and collusive tendering.

Citing references, she said that cartels are major drain on economy whose impacts on prices ranging between 10 and 20 percent.

Giving details of recent CCP actions, including the CNG issue, Nadeem added that the commission's inspection teams have recently conducted inspection visit on CNG stations and an enquiry committee has been formed to investigate that whether any malpractices has been done by CNG association on CNG prices. She also added that the commission should also review policy decisions on the issue and a policy note would be issued in case one is required.

