



FAIR TRADING COMMISSION
ANNUAL REPORT
FINANCIAL YEAR 2008/2009

COMMISSIONERS OF THE FAIR TRADING COMMISSION

Dr. Derrick McKoy was appointed Chairman in February 2008. He served as a Commissioner from 1996 to 1998 and was Contractor-General of Jamaica from 1998 to 2005. He also serves as Chairman of the Jamaica Antidumping & Subsidies Commission. An attorney-at-law, Dr. McKoy has consulted in Jamaica and the broader Caribbean in the areas of competition law and policy, utilities regulations, and public sector reform.

Dr. Peter-John Gordon, an Economist, was appointed Commissioner in January 1996 and Chairman from 2002 to 2007. He was reappointed as a Commissioner in February 2008. Lecturer at the University of the West Indies between 1982 to 1986 and 1993 to 1999, he served in the post of Director, Economic Planning and Research at the Planning Institute of Jamaica (PIOJ) between 2000 and March 2009. He also worked with the Jamaica National Export Corporation (JNEC) holding various positions, which include Trade Commissioner to CARICOM.

Mr. Jasper Burnett, C.D., a Chartered Accountant, has been Commissioner since June 1998. A member of the Public Accountancy Board since 1977, he served as President of the Institute of Chartered Accountants of Jamaica (ICAJ) between 1977 and 1980. He was a Council Member of the ICAJ from 1974-82 and is Founder and First Editor of the ICAJ's Magazine 'CHARTER'.

Mr. Robert Drummond, Principal of GK Investments, GraceKennedy's portfolio of non-food businesses. In addition to developing, executing and integrating mergers, acquisitions and new business ventures, his role includes CEO responsibility for the company's mutual funds business, FG Funds Management (Cayman) Limited. He also serves as a member of the board for a number of GraceKennedy subsidiaries.

Mrs. Dorothy Carter-Bradford was appointed as a Commissioner in July 2008.

EXECUTIVE DIRECTOR'S REMARKS

Engaging in competition advocacy and public education programmes and conducting economic studies were at the centre of the Commission's attention during the 2008/2009 Financial Year. Energy Policy, Telecommunications Policy and developments in the telecommunications sector, the appropriate competition policy framework for the granting of license(s) for the use of ports as sufferance wharves, and the framework for Jamaica's proposed Timeshare Legislation, were among the key areas of discussion by the Commission.

In addition, the Commission completed a number of market studies, in sectors that are critical to the everyday life of Jamaicans. These included work on the Subscriber Television industry, the remittance services industry, specifically the tying of cambio services to outbound remittance transfers; as well as the cement and fertilizer industries.

Our public education programme took another positive step as we issued a new publication entitled "*Competition Focus for Children*", a booklet targeted specifically at children at the primary level which was distributed in schools throughout the island. This publication was complemented by our participation in the Jamaica Teachers Association's *Read Across Jamaica* campaign.

In the 13th edition of our annual magazine "*Competition Matters*" the theme *When Signals Collide* covered several issues from both a local and an international perspective. One of the issues was the always topical merger review and control and this was also the focus of our 9th Annual Shirley Playfair Lecture which was presented by Mr. Joseph Krauss, attorney-at-law of the US law firm Hogan & Hartson.

On the regional scene, the Commission provided support and guidance to the recently formed CARICOM Competition Commission as that Commission set out to build its foundation as the regional body that oversees competition law in all CARICOM countries. Other work in the region included that with the CSME Unit of the CARICOM Secretariat as well as negotiations for a Canada-CARICOM Trade & Development agreement.

During the Financial Year the Commission completed two projects which added significant value to the technical capacity of the Commission. The three-year Inter-American Development

Bank project was extended to allow for additional activities to utilize the approximately US\$59,000 which had been “saved” over time from previous activities. This sum was used to (a) provide specialized technical training and on the job training to Staff; (b) complete the Commission’s operational manual for the investigation, analysis and enforcement; (c) develop a draft of the Fair Competition Act (FCA); (d) fund several public education activities; and (e) complete the upgrade of the Commission’s customized Database & Workflow Management Systems (CIMS) and network environment.

The other project, the Private Sector Development Programme (PSDP) allowed for further training to Staff and Commissioners, the acquisition of office equipment and the publication of the annual magazine and a brochure.

During the period, the Court concluded two matters relating to the entertainment industry in the Commission’s favour. These matters were pursued under Section 37 of the Fair Competition Act which addresses misleading advertising and the Court awarded costs to the Commission in both matters as well as imposed fines on the Respondents. This is of significance to the manner in which events are organized and promoted; and in combating several recurring problems that have been brought to light over the past ten years.

David Miller
Executive Director
May 4, 2009

ROLE AND FUNCTION

The FTC was established in 1993 to administer the Fair Competition Act (FCA), which provides for the maintenance and encouragement of competition in the conduct of trade, business and the provision of services in Jamaica, with a view to providing consumers with competitive prices and product choices.

In this regard, the functions of the Commission are to:

- carry out on its own initiative or at the request of any person such investigations or inquiries in relation to the conduct of business as will enable it to determine whether any enterprise is engaging in business practices which contravene the Act;
- carry out investigations that may be requested by the Minister or that it may consider necessary or desirable in connection with competition matters;
- advise the Minister on such matters relating to the operation of the Act, as it thinks fit or as may be requested by the Minister.

The FCA authorizes the Commission to obtain such information as it considers necessary to carry out the functions listed above; and makes it a criminal offense to fail to provide the Commission with information when requested to do so; or to obstruct an investigation by destroying evidence or by knowingly providing false or misleading information.

PRIORITY PROGRAMMES AND TARGETS

For the Financial Year 2008/2009, the Commission set the following programmes as its main priorities:

- Focus increasingly on competition complaints and investigating misleading advertising as an offence against competition, thereby encouraging improvements in services provided to consumers.
- Undertake industry studies where appropriate.
- Prepare/disseminate advisories, opinions, guidelines, develop/execute media campaigns.
- Host seminars, workshops and meetings specifically with manufacturers and distributors on how to identify the various offences against competition.
- Collaborate with the telecommunications regulator, the Office of Utilities Regulation (OUR), as well as the Ministry of Mining & Telecommunications, to promote competition in the telecommunications industry.
- Foster relationships with Government agencies, which have similar function as that of the FTC.
- Participate in, and organize appropriate forums for policy makers within the public sector as well as the Judiciary, to strengthen their appreciation of competition issues in their decision and law making processes.
- Lead discussions with the relevant interest groups on Merger Review.
- Collaborate with the Ministry of Foreign Affairs & Foreign Trade as it seeks to address competition issues in domestic, regional and global trade.
- Participate in the CARICOM efforts aimed at fine-tuning Competition Law & Policy in CARICOM.
- Improve our technical capacity especially in the area of network industries.

HIGHLIGHTS OF PERFORMANCE/ACHIEVEMENTS FOR 2008/2009

Cases Received and Investigated

Over the period April 1, 2008 to March 31, 2009, a total of four hundred and ninety-seven (497) cases were investigated by the Commission with four hundred and eighty-nine (489) being completed and closed. This represents a resolution rate of 98.8%, compared to 38.1% (357 cases closed out of 937 investigated) in the previous Financial Year. Of note is that the Staff made significant efforts in closing dormant matters and matters which would be better handled by other Agencies.

Of the one hundred and sixty-four (164) new cases were received during the year under review, one hundred (100) or 64.6% were classified as cases of 'Misleading Advertising' (MA). The majority of MA cases were made against the telecommunication providers (50 of 164) which continue to provide unclear and ambiguous information in relation to their goods and services. It is also important to note that of the number of new cases, twenty (20) were classified as "Offenses Against Competition", with the majority made against the major providers of telecommunication services. This underscores our need to continue to maintain oversight of that sector.

Court Matters

Bent/Speare Entertainment Limited

In December 2006 the Commission received two complaints, both alleging that in that same month the Respondent scheduled a concert titled '*Welcome to Jamrock*' to be held on December 22, 2006 at the Constant Spring Football Field. The Respondent advertised that 'Advanced VIP' tickets were being sold for \$3,000 and VIP tickets would be sold at the gate for \$3,500. Both Informants alleged that, in fact Advanced VIP tickets were being sold for \$3,500. Following its investigations, the FTC issued a directive that Bent/Speare sell pre-sold tickets at the price advertised. Bent/Speare complied with the directive.

Recognizing that harm had been done, the FTC filed suit on February 7, 2007, for breach of Section 37 of the FCA in the Supreme Court; and on November 19, 2008, the Supreme Court of Jamaica issued a Consent Order. Under the Consent Order Bent/Speare Entertainment Limited

agreed to pay the FTC's costs amounting to approximately \$437,000 and to issue a Public Apology in the Daily Gleaner newspaper within sixty days (60) of the date of the Order. In response to Bent/Speare advising that it was unable to fund the cost of the Public Apology, a matter was filed in the Court to have the Consent Order enforced.

Errol Bailey trading as Foundation Music Showcase

In January 2007, the Commission received thirty-five (35) complaints against Errol Bailey and, acting on the complaints, launched a preliminary examination into the matter. The allegations are that during the month of December 2006, Mr. Bailey advertised through various print and electronic media that several artistes would perform at a scheduled concert called 'Foundation Music Showcase'. The performers named included several locally based artistes as well as the internationally acclaimed artiste, Peabo Bryson. The concert was to be held at the Constant Spring Golf Club in St. Andrew on January 6, 2007.

Arising from said preliminary investigation Mr. Bailey was informed that his failure to deliver the artistes at the scheduled event as advertised was likely to be a breach of the FCA, that the matter would be pursued in the Court for its determination of whether that conduct amounted to a breach of the FCA. The case was heard by the Court on March 12, 2008, and on July 4, 2008, Judgement was handed down in favour of the FTC, finding the Respondent to be in breach of Section 37 of the FCA and imposing a fine of \$250,000.

Investigations Relating to Industry Practices

COMPUTERS - Computer Malfunction

Arising out of numerous complaints on the quality and durability of computers which are assembled in Jamaica, the FTC completed investigations to determine whether assemblers/resellers are using sub-standard parts. It was found that the damage to the computers was consistently being attributed to one or a combination of the following factors:

- power surge
- software viruses and worms
- unstable power supply
- dust
- user error/misuse

- infestation by ants, and
- exposure to high temperatures.

Having received information from the Department of Customs, the Companies Office of Jamaica, the main supplier of computer parts in the market as well as several retailers, the FTC concluded that -

- (a) less brand name computers are being repaired relative to the number sold;
- (b) approximately 54% of 'cloned' or non-brand name computers sold are subsequently repaired;
- (c) parts are classified as either high-end or low-end as determined by its quality and are marketed as such;
- (d) the majority of complaints regarding defective computers contained low-end parts.

EDUCATION - Regulation of Overseas Tertiary Institutions in Jamaica

This investigation continues and the FTC intends to formulate and submit recommendations to the various agencies involved in the regulation of such institutions. These recommendations will be based on the solutions which other countries have employed in an effort to ensure that entities operate on a level which is on par with both national and international standards.

FOOD - Accuracy of Labels

The FTC continues further investigations into this matter with the objective of preventing the dissemination of unsubstantiated or otherwise deceptive claims about food. The investigation involves a coordinated effort with the Bureau of Standards Jamaica (BSJ), the Scientific Research Council (SRC) and the Ministry of Health (MOH).

Upon examination of the market for Whole Wheat Bread we found that a number of bakeries had been labeling their products as "Whole Wheat" although their major component is not whole wheat. In some instances although the packaging is boldly labeled "Whole Wheat", the fine print lists the major ingredients as baking flour, enriched flour or white flour. The FTC considered this practice as being potentially misleading; implored consumers to read all labels carefully and to examine the fine print; and warned bakeries which had not been labeling their

products accurately to curtail the practice immediately as the FTC would be conducting an investigation pursuant to Section 37 of the FCA.

Within a month of the release of our study on the market, the Bakers Association of Jamaica (BAJ) advised the FTC that it had discussed the issue with the Bureau of Standards Jamaica (BSJ) in an emergency meeting, and it was agreed that over the upcoming six (6) months a standard for Whole Wheat Bread would be determined and implemented. The BAJ also advised that it had “reminded its members of the existing bread standards and suggested that they use a ‘crack and peel’ label to correct the information on the existing packaging to prevent further deception”.

The Commission continues to monitor the practices of firms in this regard, the ultimate aim being to facilitate the implementation of standards and regulations with regard to nutrition labeling and dietary health claims where there are none.

TRAVEL

Airline Special Fares

Under Section 40 of the Fair Competition Act (FCA), failure to supply a reasonable amount of a good represented for sale at a bargain price, amounts to a breach of the Act. The investigation, which has not been completed, is to determine whether airlines actually provide a reasonable number of seats when they offer special rates.

Information on Visa Requirements

Previous research revealed that travel agents and airlines have no obligation to inform their customers about visa requirements of the countries to which they intend to travel before selling them airline tickets.

Following discussions with the Ministry of Foreign Affairs and Foreign Trade (MFAFT) and the Jamaica Association of Travel Agents (JATA) on the need to advise customers of visa requirements before purchase of tickets and the methods through which this can be done, the FTC provided the MFAFT, Ministry of National Security and the Immigration Department with a detailed list of our recommendations. The recommendations were:

1. The MFAFT could create a website with the relevant information, which would be accessible by travel agents and the general public.
2. The MFAFT could provide leaflets for distribution by travel agents, with a listing of the contact numbers for consulates in Jamaica and worldwide.
3. Signs could be placed strategically in the Immigration Department informing the public of their obligations when travelling.
4. Programmes could be produced by the Jamaica Information Service (JIS) advising the public of the need to seek information concerning visas before purchasing tickets and where to access such information.

We requested that the recommendations be implemented as early as possible.

Lost/Damaged Luggage Policy

The Commission completed its assessment of the policies of airlines operating in Jamaica with respect to compensation for lost or damaged luggage. Airlines indicated that their customers are advised of their luggage policies through: postings at the airports, ticket-jacket disclosures, messages included in their electronic tickets and via their websites. They also point to either the Warsaw or Montreal Conventions under which baggage liability is covered for international travel.

This was supported by the work of the International Association of Travel Agents (IATA) which advised that as an international trade association it provides services for its member airlines, which includes the publishing of resolutions and guidelines that help to ensure that the member airlines can operate solely, securely, efficiently and economically around the world.

They also indicated that information is made available which encourages passengers to ensure full monetary protection of their baggage by obtaining private travel insurances to guard against lost or damaged luggage.

PETROLEUM MARKET - Launch of E10 Gasolene

Shortly after the launch of E10 fuel by the Ministry of Energy, the FTC observed a practice by the petroleum marketing companies that could be deemed Misleading Advertising, and sought to correct this practice at an early stage. The practice centered on the listing of the prices of Regular 87 grade gasoline vis-à-vis E10 grade gasoline, on display boards.

To this end, we wrote to all petroleum marketing companies regarding the discrepancy on display boards at some service stations with respect to the prices of the newly introduced unleaded E10 gasolene. It was noticed that some locations were incorrectly describing E10 as Regular Unleaded 87 on their display boards, such that the prices listed on the board was that E10 even though it was described as “Unleaded 87”. The companies voiced their intention to make the necessary corrections to their display boards and to comply with our recommendation.

The FTC continues to monitor the petroleum market.

PUBLIC EDUCATION PROGRAMMES AND MEDIA CAMPAIGNS

The FTC continues to inform and educate the public on issues related to competition law and policy. During the 2008/2009 Financial Year the Commission met with several associations, companies and groups.

The 9th Annual Shirley Playfair Lecture, our flagship public education event, was held on September 10, 2008, and was attended by members of the Judiciary, representatives from other Government Ministries and Agencies, members of the business community, and the general public.

Mr. Joseph Krauss, attorney-at-law of the US law firm Hogan & Hartson presented the lecture entitled “Adopting Merger Control Laws: Lessons Learned of Patience and Humility”. In summary, the lecture outlined the many important factors that ought to be considered when deciding how best to implement merger review laws in a developing country such as ours. He highlighted the benefits of making such decisions as:

- (a) our being able to learn from the mistakes and difficulties encountered by other countries along the way; and
- (b) access to best practices and procedures that have been found to be most successful and least likely to impose unnecessary burdens on the private sector. He also warned that we should ‘avoid adopting laws that solve only short term problems to the detriment of long-term, sustainable policies that encourage business transactions that result in efficiencies, increased innovation, and societal advances.’”

Mr. Krauss was interviewed on the Power 106 radio talk show hosted by Messrs Ronnie Thwaites & Ralston Hyman as well as by Mr. Ian Boyne on the *Issues & Answers* programme. Other media exposure included the publication of articles on the area of Merger Review in the Daily Gleaner and new articles on the JIS website, and the airing of episodes in the *Under the Law* radio series.

FTC staff was interviewed on several radio and television programmes on various competition matters. This included appearances on *Nationwide*, *Beyond the Headlines*, *Balancing Justice and Roots FM*.

The Staff participated in a conference hosted by Friedrich Ebert Stiftung entitled “Competition Law & Policy in a Small Island State”, where we delivered the feature presentation on Competition Law & Policy in Jamaica; as well as the 25th Commonwealth Law Conference, at which we presented a paper entitled “Regulation of Cross Border Financial Services Under GATS; Implications for Domestic Regulatory Autonomy”. In summary, the paper examined the General Agreement on Trade-In Services (GATS) from the standpoint of the extent of domestic regulatory freedom in regulating cross border in financial services.

We also participated in the Read Across Jamaica campaign administered by the Jamaica Teachers Association; and the Consumer Affairs Commission’s (CAC) annual Expo “Consumers in Action”. Regarding the Read Across Jamaica campaign, three of our staff members read to students of the Mountain View Primary School, stories composed by officers of the FTC, which depicted in a simple and humorous style, the role of the FTC and competition law in the market place. At the CAC Expo the Executive Director made a presentation entitled “The FTC and the CAC – Working Together” and was interviewed on the radio talk show “*At Your Service*”, while the staff fielded questions and issued brochures on the work of the FTC throughout the day.

In July 2008, the FTC completed its publication of its first edition of *Competition Focus for Children*, a booklet targeted specifically at children at the primary/preparatory school level. It comprises three stories and two puzzles; and it is our hope that it will help to build in the children, a necessary awareness of the value of competition to every consumer. The booklet was distributed to 300 primary and preparatory schools island wide.

The FTC continued to air episodes of the educational radio programme “*Under the Law*”. Those episodes were broadcasted four times each day during the months of June, July and August 2008, on Power 106 FM and Kool 97 FM.

The 13th edition, the December 2008 issue of the Commission’s annual newsletter was published and circulated to approximately 900 persons, both local and overseas. The theme, *When Signals*

Collide, is a 36 page magazine comprising features on the FTC and articles from the Staff and several Government Agencies including the Consumer Affairs Commission, Financial Services Commission, Office of Utilities Regulation, Jamaica Intellectual Property Office, as well as the Ministry of Agriculture and the Barbados Fair Trading Commission.

Competition Advocacy

Our advocacy efforts took various forms with several policy makers and Government Departments. Among them were:

- Meeting with the Broadcasting Commission where several aspects of the cable service provider industry were discussed, within the context of our shared responsibilities in maintaining competition and acceptable performance standards in that industry.
- Participation in a WTO funded training course in Regional Trade Policy at the Mona Campus of the UWI, at which the Executive Director presented the local perspective on competition law and competition implementation. The course was attended by representatives of Government bodies around the region including Cuba.
- Participation in meetings of the Energy Policy Resource Panel, which discussed the feedback/comments/ideas from persons who participated in the islandwide sensitization meetings which were held early in 2008. The FTC was a member of the sensitization team which met with civil society in several meetings throughout the island, to hear person's views on the new energy policy.
- Participation in several meetings of a Steering Committee of the Ministry of Tourism whose objective is to oversee the drafting of the Timeshare Legislation for Jamaica. Discussion and comments have centered on the framework for the proposed Timeshare Legislation, and the relationship with consumer protection and competition provision.
- Participation in the development of a revised Telecommunications Policy. The FTC is a member of a team headed by the Ministry of Mining & Telecommunications (MMT) which has been working towards creating a new Telecommunications Policy which will be used to inform the new Telecommunication Act. The FTC has submitted its

comments on the existing policy and presented the MMT with our 2007 Study entitled “*A Review of the Jamaican Telecommunications Sector*” which provides useful information on Jamaica’s telecommunications landscape, since liberalization. The Study contains information which is useful to the review process.

- Participation in meetings with the MMT, Spectrum Management Authority, Broadcasting Commission, Jamaica Post, and Central Information Technology Office to discuss several issues involving the further development and expansion in the Telecommunications sector by the major players in that sector. Issues discussed included the general conduct of the players, allegations of anti-competitive activities between players, Determination of Dominance by the OUR, Interconnection rates, Number Portability, Co-location Agreements, and the Government’s preparedness for the likelihood of mergers within the sector.
- Submission of an article entitled “*Competition Law in Jamaica*” to the Anti-Dumping & Subsidiaries Commission (ADSC), for publication in its December 2008 issue of its newsletter *Trade Gateway*. The article briefly described the role of competition law, and more particularly the FTC., within the context of a contemporary commercial environment.
- Participation in the Geographical Indications (GI) Working Group, a team whose objective it is to create the legal framework for protecting Geographical Indications in Jamaica, as well as sensitize manufacturers to their rights and responsibilities. The Jamaica Intellectual Property Office (JIPO) oversees the work of the Working Group.
- Submission of comments to the Office of Prime Minister on the appropriate competition policy framework for the granting of license(s) for the use of ports as sufferance wharves.

Economic Studies

- In the light of the number of complaints received by the FTC with respect to the Subscriber Television Industry, the staff carried out a study in order to get a better understanding of aspects of the operations of the industry, such as -
 - a. the responsibility of the subscriber television operators with respect to cable boxes;
 - b. non- provision of cable services in some areas of assigned zones; and
 - c. provision of information by subscriber television operators with respect to changes in program offerings.

The conclusions from the study were that:

1. Sufficient information is provided to actual and potential subscribers, who were informed at the time of application of service whether cable boxes are leased, rented or sold. Some operators provide contracts regarding the provision of cable boxes.
 2. While the Broadcasting Commission provides relevant information on the channels that cable operators are authorized to air, it may be necessary for the operators to provide that information to potential subscribers at the time of contract to ensure that consumers acquire cable services which are most suitable to their tastes.
 3. The information collected did not reveal any concerns with respect to possible market sharing within zones.
 4. The provision of cable services in some communities appear to be encumbered by the reputation of those communities regarding their failure to pay for utilities such as electricity and water.
- The functioning of the remittance services industry is of immense importance to Jamaica given the fact that the industry is one of our main source of foreign exchange, generating

some J\$961.8 million in 2005. Having observed certain practices in the markets for electronic money transmission and cambio services, the FTC undertook an investigation into the tying of cambio services with the provision of remittance services. In other words, the FTC undertook to investigate the practice whereby recipients of remittance are forced to convert the foreign currency received to local currency using the facility of the remittance company.

To the extent that the relevant geographic market is defined to be the world, no firm could have sufficient market power in the relevant market and as such would be unlikely to be found to be dominant, as contemplated under the Fair Competition Act. Consequently, it is unlikely that the practice of tying cambio services to inbound remittance transfers could substantially lessen competition in the relevant market.

With respect to the tying of cambio services to outbound remittance transfers, the investigation revealed that this “new” strategy of remittance companies posed a clear and significant threat to competition in the cambio services market and therefore should be investigated further either as an abuse of dominance or as an instance of coordinated activities among rival remittance firms (cartel). It is noteworthy however, that this “new” strategy was discontinued in May 2008, after the start of our investigation. Therefore, the investigation was terminated.

- Upon the Minister’s directive, the FTC commenced a study on the asymmetric price transmission mechanisms in the markets for basic food items distributed in Jamaica. The study is scheduled to be completed by April 15, 2009.
- The Minister also directed that the Staff commence research on the cement industry, specifically, to quantify the effects of having several suppliers of cement in the Jamaican market over the past three years, as against having a sole supplier. A simple but powerful economic model was utilized to characterize the main features of the Jamaican cement industry; and to isolate the effect of changes in import tariffs/duties on the domestic price of cement. The research revealed that as a direct result of the Government waiving the safeguard measures in March 2006, the monopoly producer Caribbean Cement Company Limited (CCCL) generated approximately \$694 million less revenue because competitive

forces constrained CCCL's ability to profitably increase the domestic price of cement. Price levels were estimated to be, on average, 3 percent lower than what they likely would have been had the measures not been waived. As such, consumers benefitted from the policy in the sense that their expenditure on cement purchased from the CCCL was \$694.27 million lower than what it otherwise would have been.

- Our work also included a review of the Agreement relating to the acquisition of Blue Cross of Jamaica's Health Insurance portfolio by Sagicor Jamaica Limited. Our interest lies in whether issues with respect to competition were properly considered. With respect to agreements generally, the FTC's mandate authorizes us to examine agreements including those that have exclusionary provisions or provisions limiting or restricting the supply of goods or services. It also authorizes us to determine whether an agreement has as its purpose or effect, or is likely to have the effect, of substantial lessening of competition in a market.
- FTC Staff completed an assessment of the level of subsidy associated with the importation and distribution of fertilizer by the Government of Jamaica, and conducted an evaluation of a proposal by the sole local fertilizer manufacturer, for the supply of four blends of fertilizer to the Government. We submitted to the MIIC, the most suitable formula to be used for determining the expected fluctuation in prices associated with changes in input prices; and the level of subsidy necessary to support the fertilizer importation programme.
- In addition to participating in on-going consultations with the OUR, on various telecommunications issues, the FTC continued to participate in meetings of the ICT Cabinet Sub-committee as well as the consultation process on the Telecommunications Policy.

PARTICIPATION IN DEVELOPMENT OF TRADE POLICIES AS WELL AS DISCUSSIONS ON THE INTERNATIONAL LEVEL

- During the review year the FTC provided support and guidance to the recently formed CARICOM Competition Commission, which was launched on January 18, 2008. This included information on effective systems for the recording and storing information/data; the creation of manual and electronic case files; the development of a Library system in both electronic and hard copy formats; useful activities for developing the technical capacity of the Commission; and organizational and other administrative and human resource related procedures.
- The FTC facilitated a mission of the CSME Unit of the CARICOM Secretariat; the aim of the mission being to mobilize and train a group of twenty (2) university students from Dominica, on identifying and developing a response to CSME opportunities. The Staff discussed among other things, the role of the FTC in the context of the CSME; cross border competition issues; the level of expertise, training and personal development required within the area of Competition Law and Policy; job opportunities within the field as an agent of a Competition Agency as well as an officer of the private sector.
- With respect to the Negotiations for a Canada-CARICOM Trade & Development Agreement being handled by the Ministry of Foreign Affairs & Foreign Trade, the FTC submitted comments on the sections of the Revised Draft Negotiating Brief and Attachments that deal with Competition Policy.
- Upon the request of the Minister of Energy the FTC participated in a study tour by a delegation of the Tanzanian Government whose main objective was to hear Jamaica's experiences in the handling of the several issues within the Energy portfolio and to discuss best practices. Our contribution centered on our research in the petroleum market and our work as a member of the team which developed the existing Energy Policy. We also highlighted the role which we ought to play in the market for generation, transmission and distribution of electricity, and noted our exemption by Ministerial Order, from investigating activities of the Jamaica Public Service Company Limited, which in effect, prevents us for examining competition issues in that sector.

- We also met with a Nigerian delegation who met with several agencies to discuss matters related to governance, to obtain suggestions and recommendations as to best practices with respect to the enforcement of various laws. Our discussions centered on procedures, guidelines, jurisdiction and penalties or fines that may be applied in particular circumstances.
- In addition, the FTC participated in, and or made presentations at, international seminars/workshops hosted by the CARICOM Secretariat, International Competition Network (ICN), and the Organization of Economic Co-operation and Development (OECD). Our work included sharing our experience in handling matters involving Tying and Bundled Discounting and Single Product Loyalty Discounts; as well as conducting Market Studies.
- The FTC submitted a paper to the OECD on the Challenges Faced by Young Competition Agencies. The paper was presented by the Executive Director, and was discussed in the OECD's Global Forum on Competition in February 2009. It described many of the experiences, including challenges, successes and difficulties of the FTC over the years, specifically with respect to
 - (a) organizing the Agency in its embryonic stage;
 - (b) building a competition culture within Jamaica;
 - (c) Competition Advocacy efforts over the years;
 - (d) conduct of cases and investigations;
 - (e) Jamaica's judicial system and our interaction with the Judiciary;
 - (f) resource constraints;
 - (g) funding from external bodies; and
 - (h) building technical capacity.
- FTC Staff also attended and participated in the International Competition Network (ICN) Seminar on Competition Agency Effectiveness. The main aim of the Seminar was to allow for the exchange of best practices on all crucial aspects of overall agency effectiveness with a

view to facilitating improvements in the work processes of agencies. It provided us with the opportunity to hear the manner in which other agencies have handled several of the challenges which we have been facing; expose us to challenges that we have yet to face and options to deal with these challenges and to hear best practices. The Executive Director moderated a session of Accountability and Communication.

LEGISLATIVE PROCESSES

There are no further developments in respect of the establishment of Regulations under Section 40 of the FCA; nor has the process of amending the FCA (Notices and Procedures) Regulations being advanced. Both of these pieces of work, together with enactment of regulations regarding the FTC's investigative and hearing procedures will be influenced by the structure that will be adopted.

The Draft Bill containing the relevant proposals for amending the FCA which was issued by the Chief Parliamentary Council (CPC) and perused by the FTC during the 2007/2008 Financial Year has yet to be completed. Comments were forwarded to the CPC through the Ministry of Industry Investment & Commerce (MIIC) and a second version of the draft Bill is being awaited. The structure supported by the MIIC and the Attorney General's Chambers provides for the establishment of a Competition Tribunal to hear competition cases.

In the meantime, with the assistance of an overseas consultant which was hired under the Inter-American Development Bank (IDB) Project, we explored options for the optimal structure of the FCA, identified gaps and potential weaknesses in the FCA and evaluated the individual provisions of the current Draft Bill. The Consultant also provided explanatory notes for the various decisions taken, in terms of the provisions being adopted and the structure of the FTC being contemplated. Together with the explanatory notes the draft will be submitted to the MIIC and the CPC at the appropriate time.

FUNDING FROM INTERNATIONAL AGENCIES

Inter-American Development Bank (IDB)

The three (3) year IDB project aimed at strengthening the technical capacity of the FTC and improving its outreach capabilities continued during the Financial Year. In April 2008, following a review of the Project's objectives, achievements and financial status, the IDB, having considered it to be one of the best managed projects in terms of cost effectiveness and reporting, agreed to extend the project life to allow the Commission to identify additional activities to utilize the approximately US\$59,000 which had been "saved" over time. The Project is funded through the IDB Multilateral Investment Fund (MIF) and counterpart contributions from the Government of Jamaica.

Some of the project achievements and activities, facilitated through the Project during the year under review are:

- Provision of specialized technical assistance/on the job training in competition law as well as in network industries in particular.
- Completion of the Commission's operational manual for the investigation, analysis and enforcement of competition policy is at an advanced stage.
- Development of a re-draft of the Fair Competition Act (FCA).
- FTC participating in two (2) separate specialized international courses in competition law. In-house seminars conducted and copies of the literature from the courses placed in the Commission's library for future use by staff.
- Completion of the upgrade of the Commission's customized Database & Workflow Management Systems (CIMS) which houses the Commission's data and case information in an electronic format; as well as the upgrade of our network environment.
- Hosting of the ninth Shirley Playfair Lecture held in September 2008, as well as the promotional activity leading up to it, which included several episodes in the *Under the Law* radio series and the publication of several *Competition Focus* newspaper articles.

- Publication of the December 2008 edition of the Annual Newsletter *Competition Matters*.
- Production of a 30 minute audio visual documentary on the Project, which depicts the objective, scope and outcomes of the Project and highlights all the activities covered under the Project.

Of special note are the final reports of the consultants that were hired to provide specialized training to the Staff. The reports included an evaluation of the efficiencies, deficiencies and competencies of the FTC staff as well as recommendations for further development of the Staff and the Commission. In summary, the Commission is pleased with the Consultancy, and with the improvements made by the Staff over the past three years.

Private Sector Development Programme (PSDP)

In May 2007, the FTC entered into a grant contract with Jamaica Trade & Investment (JAMPRO/JTI), for several activities aimed at strengthening the technical capacity of the Commission. The Project, which lasted one year, was valued at J\$4,802,461 and was funded by the European Union (EU) through the Private Sector Development Programme (PSDP) and the Government of Jamaica on a 75%:25% split.

The activities that were undertaken and completed are:

- Attendance by two staff members and a Commissioner at three competition law conferences or workshops;
- Acquisition of desk top computers, a multimedia projector, two lap top computers, and a printer; and
- Publication of the 2007 edition of *Competition Matters* and a brochure.

SUMMARY OF MAIN PROGRAMMES FOR THE 2009/2010 FINANCIAL YEAR

The Commission's goals for the 2009/2010 Financial Year are:

- Increased emphases on anticompetitive matters; increased enforcement of the FCA through the Courts.
- Collaborating towards finalizing the amendments to the FCA.
- Increased competition advocacy; coordinating activities with other Government agencies and informing them about the role of the FTC and how that role intersects with theirs.
- Further training of the Judiciary.
- Encouraging improvements in services provided to consumers, by developing procedural guidelines for use in various sectors.
- Educating manufacturers and distributors on how to identify the various potential offences against competition.
- Influencing decisions by the Ministry of Foreign Affairs & Foreign Trade as it seeks to keep Jamaica's competition policy relevant, thereby contributing to the fine-tuning of competition law and policy in CARICOM.

BUDGETARY ALLOCATION

The following table summarizes the actual amounts expended by the Commission in each of the three (3) previous Financial Years. Also included is the Budgetary Request for the 2009/2010 Financial Year.

OBJECT	2009/2010	2008/2009	2007/2008	2006/2007
	Request (\$)	Actual (\$)	Actual (\$)	Actual (\$)
Compensation of Employees	58,069,226	49,124,006	45,326,100	35,569,405
Travel Expense & Subsistence	6,704,100	5,293,878	4,425,170	2,906,447
Rental of Bldg, Machinery & Equip.	5,965,590	4,630,470	4,551,824	4,351,642
Public Utility Services	1,932,000	1,848,598	1,580,604	1,230,588
Purchase of other Goods & Services	3,026,311	2,805,038	1,895,133	3,465,437
Asset Purchases	306,100	278,610	-	249,381
TOTAL	76,057,327	63,980,600	57,778,831	47,772,900

COMMISSIONERS' COMPENSATION

Position of Director	Fees (\$)	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle (\$)	Honoraria (\$)	All Other Compensation including Non-Cash Benefits as applicable (\$)	Total (\$)
Chairman – Derrick McKoy	\$50,000 per month	0	0	0	600,000
Commissioner Jasper Burnett	\$27,500 per month	0	0	0	330,000
Commissioner Peter-John Gordon	\$27,500 per month	0	0	0	330,000
Commissioner Robert Drummond April 2008 – January 2009	\$27,500 per month	0	0	0	275,000
Commissioner Dorothy Carter-Bradford July 2008 – March 2009	\$27,500 per month	0	0	0	247,500
TOTAL					1,782,500¹

¹ The amount reflected in the Financial Statements under Commission Stipend (\$1,583,750) excludes an amount of \$198,750 which is incorrectly included in Consultancy.

SENIOR EXECUTIVE COMPENSATION

Position of Senior Executive	Year	Salary (\$)	Gratuity or Performance Incentive (\$)	Travelling Allowance or Value of Assignment of Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Other Allowances (\$)	Non-Cash Benefits (\$)	Total (\$)
Executive² Director	2008/2009	3,405,756	0	189,604	0			3,405,756
Executive³ Director	2008/2009	2,937,590	0	331,875	109,047	157,863	0	2,937,590
General Manager⁴	2008/2009	3,536,283	0	464,625	137,516	315,726	0	4,454,150
Senior Legal Counsel	2008/2009	4,619,461	0	796,500	0	0	0	5,415,691
Competition Bureau Chief	2008/2009	5,426,103	0	796,500	0	0	0	6,222,603

Notes

1. Where contractual obligations and allowances are stated in a foreign currency, the sum in that stated currency must be clearly provided and not the Jamaican equivalent.
2. Other Allowances (including laundry, entertainment, housing, utility, etc.)
3. Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate column above.

² Period of service: April 1, 2008 to July 31, 2008

³ Period of service: November 1, 2008 to March 31, 2009

⁴ Period of service: April 1, 2008 to October 31, 2008

FAIR TRADING COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2009

FAIR TRADING COMMISSION

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AUDITOR GENERAL'S DEPARTMENT
P.O. BOX 455
KINGSTON 10
JAMAICA

Email: audgen@auditorgeneral.gov.jm

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of the
Fair Trading Commission**

Report on the Financial Statements

I have audited the accompanying Financial Statements of the Fair Trading Commission, set out on pages 1 to 13, which comprise the Statement of Financial Position as at March 31, 2009, Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these Financial Statements based on my audit. I conducted my audit in accordance with the auditing standards issued by the International Organization of Supreme Audit Institutions (INTOSAI). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion the Financial Statements give a true and fair view of the financial position of the Fair Trading Commission as at March 31, 2009, and of its financial performance, and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

Report on Additional Requirements of the Fair Competition Act

I have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit. In my opinion, proper accounting records have been maintained and the Financial Statements are in agreement therewith and give the information required in the manner so required.



.....
Pamela Monroe Ellis (Mrs.)
Auditor General


2012/08/13...

Date

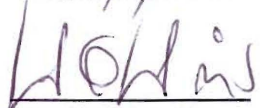
Fair Trading Commission
Statement of Financial Position
As at March 31, 2009

	Note	2009 \$	2008 Restated \$
Non - Current Assets			
Property, Plant & Equipment	6	6,399,029	4,693,199
Current Assets			
Receivables	7	475,672	281,261
Investments		6,649,210	-
Prepayments		69,442	56,862
Bank balances	8	4,545,159	248,141
		<u>11,739,483</u>	<u>586,264</u>
Current Liability			
Accounts Payable	9	121,833	1,900,229
Accruals	10	2,968,187	7,264,885
FTC bank Account		-	2,070,313
		<u>3,090,020</u>	<u>11,235,427</u>
		<u>8,649,463</u>	<u>10,649,164</u>
Net Asset		<u>15,048,493</u>	<u>(5,955,965)</u>
Finance			
GOJ Capital Fund		5,860,119	4,693,199
Accumulated surplus/(Deficit)		9,188,373	(10,649,164)
		<u>15,048,493</u>	<u>(5,955,965)</u>

Approved for issue on behalf of the Fair Trading Commission on ^{26/7/13} and signed
on its behalf by:



Mr. Christopher L. Samuda
Chairman



Ms. Dena V. Davis
Commissioner

Opinion

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.....
Pamela Monroe Ellis (Mrs.)
Auditor General

2012.10.8.12...

Date



AUDITOR GENERAL'S DEPARTMENT
P.O. BOX 455
KINGSTON 10
JAMAICA

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of the
Fair Trading Commission**

Report on the Financial Statements

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Fair Trading Commission
Statement of Financial Performance
For the year ended March 31, 2009

	Note	2009 \$	2008 Restated \$
Revenue			
Income - Jampro		733,882	1,571,507
Income - IDB		2,388,195	6,978,580
Income - IDRC		74,580	377,718
IDB/ Govt. Grant		-	1,484,120
Income -GOJ Subvention		85,914,602	49,293,109
Appropriations-In-Aid Fund		463,720	117,141
Total Operating Revenue		<u>89,574,980</u>	<u>59,822,175</u>
Operating Expenses			
Compensation of Employees	11	46,272,088	47,050,312
Travelling & Transportation	12	5,767,014	5,025,826
Premises Related Expenses	13	6,022,068	4,752,603
Public Utilities	14	1,791,193	1,376,300
Goods & Services	15	4,521,302	3,112,213
Depreciation		2,446,451	1,460,469
Bank Charges	17	107,938	164,084
Grant Expenditure	16	5,808,734	10,634,164
Appropriation in Aid Expenses		30,000	30,000
Total Expenditure		<u>72,766,788</u>	<u>73,605,971</u>
Net Profit/(Loss) from Operations		16,808,192	(13,783,795)
Other Income			
Interest Income - CD & Bank		62,878	-
Exchange Gain		489,016	33,285
Profit on disposal		-	2,648
Transfer from GOJ/USAID Grant		31,000	-
		<u>2,446,451</u>	<u>1,460,469</u>
		<u>3,029,345</u>	<u>1,496,402</u>
Surplus/ (Deficit) for the year		<u>19,837,537</u>	<u>(12,287,393)</u>

Fair Trading Commission
 Statement of Changes in Equity
 For the year ended March 31, 2009

	GOJ Capital Fund	General Reserve	Total
	\$	\$	\$
Balance as at April 1, 2007	1,706,940	1,638,229	3,345,169
Movement in the year	4,446,727	(12,287,393)	(7,840,666)
Transfer to Income	(1,460,468)	-	(1,460,468)
Gain on disposal	-		
Balance as at March 31, 2008	<u>4,693,199</u>	<u>(10,649,164)</u>	<u>(5,955,965)</u>
Balance as at March 31, 2008	4,693,199	(10,649,164)	(5,955,965)
Movement in the year	3,614,778	19,837,537	23,452,315
Transfer to Income	(2,446,451)		(2,446,451)
Gain on disposal	(1,407)		
Balance as at March 31, 2009	<u>5,860,119</u>	<u>9,188,373</u>	<u>15,048,493</u>

Fair Trading Commission
Statement of Cash Flows
For the year ended March 31, 2009

	2009	2008
	\$	RESTATED \$
Cash flows from operating activities		
Surplus/ (Deficit) for the year	19,837,537	(12,287,393)
Adjustments:		
Depreciation	2,446,451	1,460,469
Increase in Current Assets	(206,991)	(95,289)
Decrease in Current Liabilities	(8,145,408)	9,646,526
Transfer from Capital Fund	(2,446,451)	(1,460,469)
Net cash provided by operating activities	<u>11,485,138</u>	<u>(2,736,156)</u>
Cash flows from investing activity		
Investments	(6,649,210)	907,978
Capital Expenditure	<u>(3,614,778)</u>	<u>(4,446,728)</u>
Net cash used in investing activities	<u>(10,263,988)</u>	<u>(3,538,750)</u>
Cash flows from financing activity		
GOJ- Capital Fund	<u>3,075,868</u>	<u>4,446,728</u>
Net cash from financing activities	<u>3,075,868</u>	<u>4,446,728</u>
Increase/ (decrease) in cash and cash equivalents	4,297,018	(1,828,178)
Cash and cash equivalents at beginning of year	<u>248,141</u>	<u>2,076,319</u>
Cash and cash equivalents at end of year	<u><u>4,545,159</u></u>	<u><u>248,141</u></u>

Fair Trading Commission
Notes to the Financial Statements
For the year ended March 31, 2009

1. IDENTIFICATION

The Fair Trading Commission (FTC) was established to enforce the regulations of the Fair Competition Act enacted 9th March 1993 and became effective 9th September, 1993. The main activity of the Fair Trading Commission is the maintenance and encouragement of competition in the conduct of trade, business and services with a view to providing consumers with competitive prices and market choices.

2. REPORTING CURRENCY

These financial statements are expressed in Jamaica dollars.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied for the year presented.

(a) Statement of Compliance

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and have also been prepared under the historical cost convention.

(b) Depreciation of Property, Plant & Equipment

Property, Plant and Equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated on the straight-line basis at annual rates estimated to write off the carrying value of the assets over the period of their estimated useful lives.

Annual rates are as follows:

Motor Vehicle	20%
Office Furniture	10%
Fixtures & Fittings	10%
Computer Equipment	25%

Property, Plant and Equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Fair Trading Commission
Notes to the Financial Statements
For the year ended March 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Cash and Cash Equivalents

Cash and Cash Equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

(d) Capital Fund

This fund represents capital grants received and is written off on a straight line basis over the life of the asset.

(e) Employee Benefits

A provision is made for the estimated liability for untaken annual vacation leave due as a result of services rendered by employees up to the balance sheet date.

(f) Revenue Recognition

Revenue represents subvention received from the Government of Jamaica and grants received from various multi-national funding agencies.

Interest income is recognised in the income statement for all interest bearing instruments on an accrual basis unless collectability is doubtful.

(g) Taxation

No provision has been made for taxation as the Commission is tax exempt under Section 12(h) of the Income Tax Act of Jamaica.

(h) Grants

The Commission received funding from various agencies for specific projects.

The Inter-American Development Bank (IDB) & the FTC entered into an arrangement in March 2005 which provided for US\$439,300 (US\$304,000 from IDB and US\$135,300 from Government of Jamaica) over a period of 3yrs for the purpose of strengthening the Technical Capacity of the FTC.

Jamaica Promotion Corporation (JAMPRO) provided JM\$7,273,825.33 in May 2007 through the Private Sector Development Programme for the purpose Capacity Building.

Fair Trading Commission
Notes to the Financial Statements
For the year ended March 31, 2009

4. PENSION SCHEME

The Commission operates a contributory pension scheme for its employees, with benefits based on the employees' earnings during recognised service. The Fund balance as at March 31, 2009 was \$38,011,325.92.

5. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial risk factor-

The Commission's activities expose it to a variety of financial risks: market risks (including currency risk and price risk); credit risk, liquidity risk, interest rate risk and operational risk. The Commission's overall risk management policies are established to identify and analyse the risk exposure and to set appropriate risk limits and controls to monitor risk and adherence to limits. The risk management framework is based on guidelines set by the Board of Directors together with management and seeks to minimize potential adverse effects on the Commission's financial performance.

(i) Market

Price Risk

Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices. The Commission mitigates against this risk by assigning a markup of 10% for inflation in the budget. However when there is a reduction in the budget the commission institutes measures to deal with the shortfall.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Commission manages its foreign exchange risk by holding foreign currency bank accounts in reputable financial institutions.

(ii) Interest Rate Risk

Interest rate risk is that the value of a financial instrument will fluctuate due to changes in market interest rates. The Commission has no significant interest bearing assets or liabilities, income and operating cash flows are substantially independent of changes in market interest rates. The Commission's interest rate risk arises from deposits.

Fair Trading Commission
Notes to the Financial Statements
For the year ended March 31, 2009

5. FINANCIAL AND CAPITAL RISK MANAGEMENT (Cont'd)

(iii) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Commission has limited concentrations of credit risk. This risk is managed through adherence to staff loans and advances policy as well as maintaining good relationship with suppliers.

(iv) Liquidity Risk

Liquidity risk is the risk that an organization will encounter difficulty in raising funds to meet its commitments associated with financial instruments. The Commission manages this risk by keeping committed credit lines available.

(v) Capital Risk

Capital risk is the risk that the Commission fails to comply with mandated regulatory requirements resulting in breach of those requirements. The Commission's objectives when managing capital are to comply with capital requirements, safeguard the Commission's ability to continue as a going concern and maintain a strong capital base to support the development of its business.

(vi) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Commission's processes, personnel, technology and other external factors, other than financial risks. The Authority manages operational risk to avoid financial loss and damage to its reputation by adhering to good corporate governance practices.

Fair Trading Commission
Notes to the Financial Statements
For the year ended **March 31, 2009**

6 Fixed Assets Comprise

	USAID Furniture, Fixtures & Equipment	GOJ Motor Vehicles	GOJ Office Furniture	GOJ Fixtures & Fittings	GOJ Computers	Total
	\$	\$	\$	\$	\$	\$
At Cost or Valuation						
April 1 2008	876,678	1,640,861	939,025	1,060,494	8,081,189	12,598,247
Additions		-	91,390	36,461	3,486,927	3,614,778
Disposals	-	-	(17,444)	(16,839)	(713,767)	(748,050)
Closing Balance	876,678	1,640,861	1,012,971	1,080,116	10,854,349	15,464,975
Depreciation						
April 1, 2008	876,678	1,121,255	723,128	1,022,959	4,161,028	7,905,048
Adjustment					(538,910)	(538,910)
Disposals	-	-	(15,377)	(16,839)	(714,427)	(746,643)
Charge for year	-	328,172	52,366	63,072.00	2,002,842.00	2,446,452
Closing Balance	876,678	1,449,428	760,117	1,069,192	4,910,533	9,065,948
Net Book Value						
March 31, 2009	-	191,433	252,854	10,926	5,943,816	6,399,029
March 31, 2008	-	519,606	215,897	37,535	3,920,161	4,693,199

Fair Trading Commission
Notes to the Financial Statements
For the year ended March 31, 2009

	2009	2008
7 Receivables	\$	\$
Innovative Corporate Solution	23,898	23,898
GCT Refund	213,957	155,012
Overpayment: - Knutsford Court Hotel	6,680	6,680
- Gleaner Co	43,836	43,836
- Kevin Harriott	36,834	36,834
Payment to be rec.on Computer disp.	31,000	-
Salary Advance / Overpayment in sal.	85,530	15,000
Interest Receivable	33,936	-
	<u>475,672</u>	<u>281,261</u>
8 Cash and Cash Equivalents	\$	\$
RBTT Bank-IDRC US\$ A/C	40,331	16,805
RBTT Bank-IDB US\$ A/C	1,040,453	225,336
RBTT Bank-Current A/C	3,458,375	-
Petty Cash	6,000	6,000
	<u>4,545,159</u>	<u>248,141</u>
9 Accounts Payable	\$	\$
Accounts Payable	121,833	1,900,229
	<u>121,833</u>	<u>1,900,229</u>
10 Accruals	\$	\$
Statutory Deductions	367,830	2,326,999
Auditing fees	-	3,000
Pension Deductions	-	881,844
Electricity	70,084	251,719
Rental of office Space	(36,000)	1,080,856
Vacation Leave Pay	2,530,272	2,720,467
	<u>2,932,187</u>	<u>7,264,885</u>

Fair Trading Commission
Notes to the Financial Statements
For the year ended March 31, 2009

11	Salaries and Other Staff Costs	2009	2008
		\$	\$
	Salaries	39,183,183	38,303,449
	Salaries (Temp) & Wages	1,116,729	840,429
	Accrued Vacation Leave	2,530,272	2,241,384
	Clothing & Robing Allowance	35,910	42,750
	Meal Allowances	468,010	404,016
	Overtime Allowances	353,705	315,301
	Staff Welfare	234,865	-
	Health Plan	1,402,101	1,141,893
	Pension Plan Contribution	947,313	978,753
	Gratuity	-	2,482,087
	Outsourced Employment	-	300,250
		<u>46,272,088</u>	<u>47,050,312</u>
12	Travelling and Transportation	2009	2008
		\$	\$
	Motor Vehicle Allowances	5,274,458	4,366,481
	Cab Fare	6,600	4,400
	Petrol & Oil	216,216	201,549
	Repair & Maintenance-Motor Vehicles	237,114	168,300
	Air Fare	-	261,100
	Subsistence (Foreign)	32,626	23,997
		<u>5,767,014</u>	<u>5,025,827</u>
13	Premises related expenditure	2009	2008
		\$	\$
	Rental of Building	5,679,528	4,674,603
	Other Rental	342,540	78,000
		<u>6,022,068</u>	<u>4,752,603</u>
14	Utilities	2009	2008
		\$	\$
	Electricity	846,228	666,898
	Telephone & Fax	944,965	709,402
		<u>1,791,193</u>	<u>1,376,300</u>

Fair Trading Commission
Notes to the Financial Statements
For the year ended March 31, 2009

15	Goods and Services	2009	2008
		\$	\$
	<i>Professional Services</i>		
	Auditing Fees	6,000	3,000
	Advertising & Public Relation	512,362	333,167
	Consultancy	478,220	77,772
	Consulting (Legal Fees)	97,500	292,487
	Stipend (Commissioners)	1,583,750	953,750
		<u>2,677,832</u>	<u>1,660,176</u>
	<i>Office & General Expenses</i>		
	Drugs & First Aid	10,648	11,579
	Text & Reference Books	57,606	2,090
	Food & Drink	268,592	140,251
	Printing and Stationery	479,574	468,848
	Postal & Cable	75,817	60,145
	Subscriptions	65,245	61,761
	Repairs & Maintenance	277,525	94,455
	Computer Software Expenses	226,047	72,657
	Official Entertainment	10,252	-
	Sundry Suspense	-	(167,510)
	Staff Welfare	-	271,114
	Insurance	127,933	122,954
	Sundry expenses	37,426	12,246
	Foreign Exchange loss	-	156,045
		<u>1,636,666</u>	<u>1,306,635</u>
	<i>Miscellaneous Expenses</i>		
	Sanitation, Security Serv. Donation etc.	206,804	145,402
		<u>4,521,302</u>	<u>3,112,213</u>

Fair Trading Commission
Notes to the Financial Statements
For the year ended March 31, 2009

16	Project Expenditure	2009	2008
		\$	\$
	IDB Project GOV. Contribution	1,360,813	2,023,095
	IDB Component (1)	2,400,845	5,791,831
	IDB Component (2)	1,014,538	-
	IDB Component (3)	635,000	963,379
	IDRC Component (1)	19,898	126,803
	IDRC Component (2)	-	117,946
	JAMPRO Component (1)	-	939,947
	JAMPRO Component (2)	70,000	155,168
	JAMPRO Component (3)	307,640	515,994
		<u>5,808,734</u>	<u>10,634,163</u>
17	Bank Charges	2009	2008
		\$	\$
	RBTT IDB US\$ Account	23,504	66,809
	RBTT US\$ Account	249	1,837
	RBTT Account	84,185	95,438
		<u>107,938</u>	<u>164,084</u>

18 Prior Period Adjustments

Prior period adjustments are made in accordance with the requirements of IPSAS 3. During the year 2007/08, receivables of \$244,749 relating to grants from the IDRC were incorrectly recognised. Further a receivable of \$36,834 arising from an overpayment in salary was not recognised. Accounts payable amounting to \$273,782 was also not recorded during that year. The financial statements of 2007/2008 have been restated to correct these errors. The effect of the restatement on those financial statements is summarized below. There is no effect in 2008/09.

	Effect on 2008
	\$
Decrease in revenue	244,749
Increase in expenditure	<u>236,948</u>
Increase in deficit	7,801
Decrease in receivables	207,915
Increase in payables	<u>273,782</u>
Decrease in net assets	<u>65,867</u>
Decrease in equity	<u>7,801</u>