



FTCNewsLine is an on-line quarterly newsletter of the **FAIR TRADING COMMISSION** that contains information on competition matters dealt with by the Fair Trading Commission as well as competition agencies from around the world. The aim is to provide insights into some of the matters that are prosecuted in other jurisdictions; and to assist persons in better identifying issues that may pose competition concerns.

Competition legislation is specific to each jurisdiction and activities that are prohibited in one jurisdiction are not necessarily prohibited in other jurisdictions. For information on the prohibitions under the Jamaica's competition legislation, the **FAIR COMPETITION ACT (FCA)**, please visit our website at www.jftc.gov.jm.

In this Issue, we feature matters undertaken by the FTC during the period January 1 to March 31, 2013.

FTC investigating supermarkets

In recent times, the FTC has received numerous complaints regarding the deceptive pricing of products in supermarkets. Consumers have complained that the price charged for some products at the check-out counter is higher than the shelf price of these goods. In most instances, merchants refused to complete the sale at the lower price.

These complaints raise issues that could constitute the offences of *Misleading Advertising* and *Sale Above Advertised Price* in breach of section 37 and section 41 of the FCA, respectively. The FTC is investigating these complaints.

Report on the effect on consumers of the automotive diesel oil sold in Jamaica

In March 2013, the FTC concluded its study on the effect on consumers of the automotive diesel oil (ADO) sold in Jamaica. The study sought to: (i) examine whether the ADO supplied in Jamaica is compatible with the engine technologies of vehicles being sold by local car dealers; and (ii) identify the obligations of dealers under the Fair Competition Act (FCA).

The main conclusion of the study was that information regarding the quality of the ADO available to consumers is considered to be material information because it is likely to affect consumers purchasing decision. Further, the high content of sulphur in the ADO being supplied to the local market is likely to reduce the useful life of several motor vehicles being sold. Consequently, the FTC has recommended that this information be explicitly conveyed to consumers prior to purchase. A report of the study was made available to the Jamaica Used Car Dealers Association and the Automobile Dealers Association of Jamaica.

Report on the recommended maintenance schedule of diesel and gas vehicles

In March 2013, the FTC completed an analysis of the maintenance schedule of diesel and gas vehicles recommended in the local and international markets. The report was prompted by numerous complaints regarding the lifespan of the engine of diesel-powered motor vehicles in Jamaica. In most instances, consumers complained that within three to five years after purchasing diesel-powered vehicles, the vehicles required extensive repairs to the engine.

In a companion study released by the FTC, it was revealed that the high sulphur content in the ADO sold in Jamaica increased the frequency with which the vehicles required servicing. Accordingly, one might expect that dealers of diesel-powered vehicles would recommend shorter service intervals for diesel-powered vehicles compared to gas-powered vehicles. The study conducted by the FTC, however, showed that the recommended service interval for diesel-powered vehicles were generally identical to that for comparable gas-powered vehicles. The only exception being the dealer of Mercedes Benz which recommended that the diesel-powered model of its Mercedes Benz ML350 be serviced 33% more frequently than its gas-powered model.

The report recommends that consumers shop around and collect as much information as is necessary before making a purchase; and the pros and cons of owning a gas versus a diesel engine vehicle must be considered. Consideration must be given to local conditions, from both an economic as well as operational perspectives. Also, the quality of the local fuels which are to be used in the vehicle should be compared with the standards recommended by the manufacturer. If the quality of the local fuel does not meet the specified standard, consumers must make enquiries as to the implications of using the sub-standard quality fuel.

FTC consultation into the exclusive use of prescribed valuers

The FTC has initiated a series of consultative discussions to understand the cause, nature and consequence of a common practice by institutions in some industries to restrict the pool of professionals from which the institutions' customers could acquire third party valuation services. The purpose of the consultations is to assist the FTC in determining whether and the extent to which the practice is adversely affecting competition and, if so, identify measures to mitigate the adverse effects.

Study on the retail table egg market

In March 2013, the FTC finalised its assessment of the recent expansion of Caribbean Boilers (CB) into the retail market for table eggs. CB is one of two major suppliers of ready-to-lay hens ('pullets'). Egg farmers use pullets to supply table eggs to final consumers. The assessment was conducted at the request of the Jamaica Egg Farmers Association Ltd which expressed fear that the expansion would provide CB with an unfair strategic advantage over small farmers.

On the face of it, CB's participation in the table egg market suggests that it had adequate incentives to adversely affect competition in the market for table eggs; further, CB's participation in the pullet market suggests that it would have some opportunity to adversely affect competition in the market for table eggs. Indeed, small farmers could not compete with CB in the market for table eggs if the difference (margin) between the price at which they acquire pullets and the price at which CB sells table eggs is sufficiently small. The smaller the margin, the less competitive pressure small farmers could exert and remain profitable.

All other things held constant, if CB could increase the price paid by small farmers for pullets, it would squeeze the margin sufficiently small to weaken its competitors in the market for table eggs. The focus of the assessment, therefore, was to determine whether CB is likely to have sufficient opportunity to increase the price small farmers paid for pullets.

The main finding of the assessment is that the other major supplier of pullets, Jamaica Boilers, has the capacity to serve a sufficiently large number of the small farmers which would likely switch if the price of pullets sold by CB rendered them uncompetitive in the market for table eggs. This means that small farmers have a reasonable alternative supplier of pullets and therefore had the opportunity to avoid any substantial price increase which might be imposed by CB. Ultimately, this would mitigate attempts by CB to weaken competitive constraints in the market for table eggs.

Accordingly, we conclude that CB's expansion into the retail market for table eggs is unlikely to lead to a substantial lessening of competition.