



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 other competition agencies from around the world. The aim is to provide readers with insights into some of the matters that are prosecuted in other jurisdictions; and to assist businesses and consumers 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 issues related to the period January 1, 2016 to March 31, 2016.

FTC gives Conditional Approval for the Amalgamation of the Assets of RJR and the Gleaner

In August 2015, the FTC reviewed an application for the amalgamation of the assets of two of Jamaica's leading media entities, Radio Jamaica Ltd ('RJR') and the Gleaner Company Limited ('Gleaner'). The proposed transaction would see the media-related assets of Gleaner being hived-off to RJR.

The FTC's report of its review noted that the Gleaner held leading positions on the Internet and newspaper media platforms whilst RJR held leading positions in radio, television and Internet platforms. The FTC found that the proposed transaction raised significant competitive concerns in the markets/sub-markets where there was a significant overlap of the two entities: (i) The Internet based media sub-market; and (ii) the advertising service market. Further, the proposed transaction (a) was likely to harm subscribers by reducing the incentives to engage in research and development of new products on the internet platform; and (b) would give the amalgamated entity a significant control of media audience across multiple platforms. This would increase the incentives and opportunities for the amalgamated entity to engage in anticompetitive discriminatory conduct in the downstream market by raising costs for independent advertising agencies to acquire advertising media space. The FTC concluded that while there were public benefits arising from the proposed transaction, they were inadequate to off-set the adverse public interest harm raised.

As such, the FTC approved the amalgamation conditional on prescribed steps which would mitigate the potential adverse effects while preserving the potential benefits of the proposed transaction. FTC and the applicants entered into a Consent Agreement in February 2016.

FTC comments on petroleum sector

The FTC recently released two position papers on matters concerning the petroleum sector. The first paper was in relation to the inclusion of “Goodwill” compensation in contracts between bulk distributors and retailers of petroleum products. The value of a company’s brand name, solid customer base, good employees relations and any patents or proprietary technology represent goodwill. Marketing companies and retailers have the opportunity to generate goodwill at retail locations.

With goodwill compensation, retailers have incentives to exert greater levels of effort to generate sales. Accordingly, goodwill compensation to retailers, by stimulating retailer efforts to drive sales, is likely to increase the value of the product to final consumers. Contracts between retailers and marketing companies should include a scheme for measuring and compensating the goodwill between both parties at the conclusion of the contract.

The second position paper relates to the competitive effects of vertical integration in the petroleum sector. Vertical Integration is a business transaction which results in an entity operating at different stages of the production and/or distribution chain in the same industry. The structure of the Petroleum sector in Jamaica is such that there are three main stages in the distribution chain: (i) Bulk supply; (ii) Transportation; and (iii) Retail supply (filling stations). There are numerous suppliers at each stage of the distribution chain.

The structure of the petroleum sector plays an important role in the assessment of the probable effect of vertical integration on competition in the sector and based on the structural characteristics of Jamaica’s petroleum sector, vertical integration is unlikely to have adverse competitive effects.

FTC participates in CARIFORUM- EU Capacity Building Project on Competition

As a show of commitment to its strengthening of competition in the region, the FTC contributed to the recently concluded CARIFORUM-EU Capacity Building Project on Competition. The project is geared at assisting OECS member states in developing their competency in the area of competition law and ultimately establishing their own competition authority.

The workshop was held from March 14-18, 2016 in Antigua and Barbuda. The FTC contributed to discussions in the areas of economics of competition law and market studies. The FTC is committed to promoting competitive markets and lends a helping hand to other jurisdictions that are looking to do the same.