

## Should Jamaica Celebrate the 20<sup>th</sup> Anniversary of the FTC?

By

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Twenty years have passed since Parliament established the Fair Trading Commission (FTC) in 1993 with the primary objective of positioning competition as the driving force behind economic activity in Jamaica. In the current fiscal year, approximately \$73.5 million of scarce public resources have been approved to fund the FTC. Although this represents only one hundredths of 1% of the overall budget for central Government, the public deserves to know whether the FTC is providing value for money or is merely another charge on the public purse.

### **The Activities of the FTC**

The FTC has been active in numerous industries in Jamaica during the preceding two decades. Over this period, it has confronted private and public bodies whose conduct, wittingly or unwittingly, posed a threat to competition. These industries include telecommunications, cement, poultry, dairy milk, pharmaceuticals, financial services, petroleum, automobile, real estate, household furniture and live entertainment. In each instance, the objective of the FTC was to neutralize any anticipated threat to competition within the respective industries. The motivation behind the FTC's actions is that competition offers the proper incentives for businesses to offer consumers high quality goods at the most affordable prices.

### **The Benefits of the FTC**

Even if it was accepted in principle that competition offers benefits to the public, the continued support of the FTC could not be justified unless it was shown also that the benefits exceeded the \$73.5 million used to fund it. A careful review of its activities indicates that consumers now enjoy considerable benefits which are attributable to the actions of the FTC. For example, subscribers of telecommunication services enjoy considerable benefits with a wide variety of handsets and services to choose from. The benefit of competition is readily discernible to subscribers in Jamaica since they have experienced the industry with and without competition. The telecommunications industry today is vastly different from the sector which operated prior to 2000 when Telecommunications of Jamaica (now LIME) was the monopoly service provider. During the period of monopoly, mobile services were secured by only the privileged few as handsets and services were limited and considerably expensive, relative to the market today. Very few persons are aware that during its second year of existence, the FTC toppled the first domino that caused a rippled effect that eventually led to the revocation of the monopoly license ('Big blow to TOJ's monopoly', **Observer**, December 22, 1994). In fact, during the most intensely competitive period of the telecommunication sector (2007-2010), competition between two telecommunications service providers generated consumer benefits in excess of \$4,182 million annually in the form of increased promotions and value offers and reduced calling rates. This means that the benefits to consumers derived from protecting competition in the telecommunications industry alone is at least 56 times as large as the cost of funding the FTC.

The cement industry is another industry in which the FTC has measured the benefits of competition. Since there is only one producer of cement in Jamaica, competition is driven through international trade (importation) which is limited to satisfying no more than 20 percent of the domestic demand. Again, the FTC was able to measure the benefits of competition because Jamaica experienced a period in which there was no competition (i.e. no importation) and a period in which there was competition (i.e. importation). The FTC showed that even the restricted competition from imported cement generated consumer benefits in excess of \$297 million annually in the form of reduced prices ('Cement debate: Consumers win when cement market opens to competition', **Gleaner**, June 5, 2009). The FTC continues to advocate for easing the quota restriction on imported cement. This means that the benefits (savings) to consumers derived from protecting competition in the cement industry alone is at least 4 times as large as the cost of funding the FTC.

### **Conclusion**

Based on the above, it is clear that Jamaica should be celebrating with the Fair Trading Commission on the occasion of its 20<sup>th</sup> anniversary since the institution has generated benefits to the public that far exceeds the funds utilized to run its operations.

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