



FAIR TRADING COMMISSION

ANNUAL REPORT

FINANCIAL YEAR 2001/2002

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ANNUAL REPORT

EXECUTIVE DIRECTOR'S REMARKS

The Commission's ability to fulfill its mandate depends to a very large measure, on its Budget Allocation. The allocation was insufficient and this severely hampered the Commission's ability to carry through programmes aimed at informing the public and monitoring the conduct of businesses.

The recruitment of two (2) additional Officers for our Technical Staff was again postponed. These are a Legal Officer and an Information Systems Administrator. Over time, as the Commission's work becomes more widely appreciated the Commission has been experiencing a phenomenal increase in its caseload. The number of cases received has risen steadily from **332** in 1999 to **416** in 2001. This has affected our efficiency as reflected in a reduced resolution rate from 67% to 34% over the same period. The Legal Officer is required to strengthen the efficiency and effectiveness of the Legal Department, thereby improving the resolution rate and reducing the current turn around time for complaints being investigated. The Information Systems Administrator is required to initiate planned technological improvements to the Commission's workflow management. This includes the daily maintenance of the Web Site, the computerization of the Library and devising improvements in the existing Case Management System.

Participation in Free Trade Area of the Americas (FTAA) and CARICOM meetings and in international seminars has been limited by insufficient

funding and a lack of technical expertise. International seminars are a viable avenue for staff training - experiences of other Competition Agencies are shared and new ideas are discussed. For the 2001/2002 Financial Year the Commission was unable to send any representatives to FTAA meetings or to international seminars. It was unable therefore to provide meaningful assistance to the Ministry of Foreign Affairs & Foreign Trade on Competition issues.

There was limited opportunity for Staff training and skills development in Competition matters throughout the year. It is important that the Staff acquire a thorough knowledge of the marketplace, a strong working knowledge of the key industries and experience of how these industries function in other jurisdictions. This is necessary in order that anti-competitive practices can be easily identified and investigated.

Due to the 'newness' of the field of Competition economics in Jamaica, as well as in the Caribbean region, the avenues for 'internal development' have been limited. The ability of the Commission to deal with investigations thoroughly and efficiently has therefore been hampered.

Both Barbados and Trinidad are in the process of instituting Competition Agencies and are seeking assistance from the Fair Trading Commission. The Commission is not satisfactorily equipped to provide technical assistance but it does a limited way, wherever possible. It must be noted that strong Competition Agencies in the major CARICOM markets will provide direct trade benefits to the region as it attempts to

compete in the global market. Investors from first world countries need to feel confident that there are laws and agencies that will promote a healthy competitive environment.

Notwithstanding the Budgetary Allocation, the Commission tried to maintain its high level of Public Education and advertising campaign and also strengthen its technical capabilities. The activities and programmes during the year were of a high standard and were well received by the target audiences and the Staff performed well against the odds.

**Barbara Lee (Mrs.)
Executive Director
April 24, 2002**

ROLE AND FUNCTION

The FTC was established in 1993 to administer the Fair Competition Act (FCA). The FCA provides for the maintenance and encouragement of competition in the conduct of trade, business and in the supply of services in Jamaica. Competition leads to optimal allocation of scarce resources while ensuring that the highest quality goods and services are offered for sale at the lowest prices. It also ensures that the greatest incentives exist for product innovation and development. The work of the FTC is critical to the achievement of these objectives.

PRIORITY PROGRAMMES AND TARGETS

For the Financial Year 2001/2002 the Commission set the following programmes as its main priorities:

- Investigate complaints and seek amicable resolutions where possible. Obtain fees through the use of Consent Agreements, to assist in offsetting costs.
- Initiate legal action for those complaints for which out of Court settlements are not forthcoming and conclude legal matters before the courts.
- Closely monitor furniture, appliance, computer and motor vehicle sectors.

- Prepare and disseminate advisories, opinions and guidelines. Develop and execute media campaigns and organize seminars, workshops and meetings.
- Meet with business entities, trade groups and educational institutions. Educate the private sector (manufacturers and distributors) on the requirements of the FCA and the need to provide adequate information on products and services offered for sale, thereby reducing breaches of the Act.
- Continue to enforce provisions of the FCA as they relate to the Telecommunications Industry.
- Undertake studies to determine the state of competition within specific industrial sectors. e.g. food and petroleum industries and the financial sector. Undertake review of Authorization Requests from Commodity Boards and other business entities.
- Participate in, and organize appropriate forums for policy makers within the Government. Hold meetings with various associations, educational institutions and other Government Agencies and Technical Advisors within the Public Sector.
- Participate in discussions with FTAA Negotiating Group on Competition Policy (NGCP).
- Participate in the CARICOM Inter-Governmental Task Force (IGTF) meetings on the finalization of Protocol VIII relating to the Rules of Competition.

- Provide technical support in the development of the CARICOM Protocol IX on Disputes Resolution.

HIGHLIGHTS OF PERFORMANCE/ACHIEVEMENTS

Cases Investigated

For the Financial Year 2001/2002, a total of 826 cases were investigated by the Commission with 273 being completed (See Table 1 for details of cases investigated and completed).

Following the trend of previous periods, the figures reveal that cases of alleged *Misleading Advertising* accounted for the majority of matters investigated by the FTC, comprising almost 70% of all cases dealt with. The majority of Misleading Advertising cases were against Used Car dealers, Furniture/Appliance retailers and Computer retailers who use marketing promotions that attract, but sometimes mislead consumers.

Cases deemed '*Not covered by the FCA*' formed the second most prevalent category of investigations, accounting for approximately 17% of the cases investigated.

In comparison to the above categories, each of the other types of cases represented a relatively small percentage of the matters examined. For example, *Requests for Opinion* represented fewer than 4% of the full complement of cases, while *Abuse of Dominant Position* accounted for approximately 2%.

The category termed '*Other Offences against Competition*' represented 3% of investigations pursued during the period while the category *Sale Above Advertised Price* comprised approximately 1%.

All other categories fell below 1%. *Requests for Information* accounted for 0.5%, *Applications for Authorization* for 0.5%, while *Market Restriction* cases accounted for 0.4% of matters investigated.

There were no cases of *Double Ticketing* or *Tied Selling* during the period, as merchants appeared to have recognized the requirements of the FCA with respect to these offences.

Resolution Rates

Overall, the Commission successfully completed approximately 33% of its cases investigated during the period. The reduced resolution rate is a result of the increased number of cases received and investigated during this period. The number of cases received has increased by 101% from 275 received in last period to 553 cases in this period. (Figure 1 indicates the increase in number of cases received, categorized by breaches).

Misleading Advertising, which accounted for the majority of cases that the FTC investigated during the present period, showed a very low resolution rate of 23%. As stated previously, this is due to the increase in the number of cases received in the current period. The number of cases received in this category increased by 169%.

There were high resolution rates in *Not Covered by the FCA (NA)*, *Requests for Information* and *Requests for Opinion*. Cases were expeditiously processed in order to direct Informants in a timely manner, to the right avenues through which they could obtain assistance. Of the cases investigated, some 61% of these *NA* cases, 50% of *Requests for Information* cases and 63% of *Requests for Opinion* cases were resolved during the period under review.

Major Cases Investigated

The Commission pursued a number of matters in the Courts during the 2001/2002 Financial Year and continued to enforce provisions of the FCA specifically as they relate to the Telecommunications Industry. The Commission filed suit against Shell Company (Jamaica) Limited, Pyramid Roofing Systems, Airtight Security Limited and SBH Holdings Limited and Forest Hills Venture Limited. All but the Shell matter have already been determined by the Courts.

Out-of-Court Settlements

Challenger Transport Company Limited

The Informant lodged a complaint with the Commission alleging that on July 6, 1999 he purchased a Chevrolet Joy motor car which was represented by the Respondent to be a 1999 model. On the car being valued, it was revealed that it was in fact a 1998 model and not a 1999 model.

Following an investigation by the Commission and a meeting held on July 27, 2001 with the Respondent and a representative from the

manufacturers of the motor vehicle, the Respondent admitted that the motor car, though sold as a 1999 model, was in fact a 1998 one and that its conduct amounted to a breach of Section 37 of the FCA.

A Consent Agreement was negotiated between the FTC and Challenger Transport Company in October 2001, whereby Challenger agreed to Pay to the Informant, within 30 days of the date of the Agreement the sum of Forty Thousand Dollars (\$40,000.00) representing the difference between the cost of 1998 and 1999 models, together with compound interest at the rate of 20% per annum from the date of purchase to the actual date of payment; and also to pay the Commission's costs in the sum of Sixty Thousand Dollars (\$60,000.00).

Institute of Management Sciences (IMS)

The Informants alleged that in reliance on an advertisement issued by IMS they enrolled in a Hotel and Hospitality Management Course which was being conducted by the said IMS. At the relevant orientation on March 24, 1999, a staff member informed the students that the Course was accredited and transferable to both local and overseas colleges, which was in accordance with the information contained in the advertisement. After commencing the course on March 30, 1999 the Informants discovered that the course was not accredited to the University of Technology, or any of the colleges in the U.S. as was claimed.

The Commission investigated and concluded that the Respondent's conduct in the matters complained of, amounted to breach of Section

37 (1)(a) and (c) of the FCA. The parties are executing an agreement to indicate that the Respondent has (a) amended the advertisement to reflect clearly what it means by validation and accreditation versus registration; (b) issued an apology to the Informants; and (c) paid to the Commission the sum of Twenty Five Thousand Dollars (\$25,000.00) being costs incurred.

Court Matters

FTC v. Pyramid Roofing Systems

The FTC received a complaint against Pyramid Roofing Systems. The Informant alleged that, pursuant to an advertisement in the yellow pages of the 1997 – 1998 telephone directory, she contracted the Respondent to install a new roof on her house, but the job was badly done. The result was a number of leaks and a generally poor appearance of the roof.

An Originating Motion was filed in the Supreme Court by the FTC seeking a declaration that the Respondent had breached Section 37 of the Fair Competition Act. On June 12, 2001 the matter was heard by the Court, which granted the Declaration and made an Order that the Respondent pay the sum of \$700,000.00 to the Crown.

FTC v SBH Holdings Limited & Forest Hills Joint Venture Limited

The Informants alleged that they purchased townhouses from the Respondent developers after reading pamphlets and brochures promising, among other facilities, a swimming pool, tennis court and a clubhouse. The facilities promised were not provided.

The matter was heard before the Honourable Mr. Justice James on September 27–28, 2001. Judgement was reserved.

FTC v. Airtight Security Limited

The FTC alleged breach of Section 37 of the Fair Competition Act (FCA) by the Respondent as it failed to honour the warranty given on electronic gates. The Informants, the proprietors of a town house complex, had paid the Respondent over Five Hundred Thousand Dollars (\$500,000.00) to install and maintain the gates.

The matter was heard before the Honourable Mr. Justice James on September 28, 2001. The Respondent did not appear nor was it represented. James J found that the Respondent was in breach of the FCA, and imposed a fine of One Hundred Thousand Dollars (\$100,000.00).

FTC v Shell Company (Jamaica) Limited

The Informants alleged that the Respondent entered into a Distributorship Agreement the terms of which are anti-competitive and which therefore contravene certain provisions of the Fair Competition Act.

An Originating Motion was filed in the Supreme Court on September 20, 2001 against the Respondent. The matter came up for hearing on December 6, 2001 and was adjourned sine die for the Respondent to file Affidavits in reply. The matter will be relisted.

PUBLIC EDUCATION PROGRAMMES AND MEDIA CAMPAIGNS

The FTC continued to inform and educate the public on issues related to competition law and policy. During the 2001/2002 Financial Year the Commission issued guidelines and opinions in respect of (a) motor vehicle inspection services; (b) the National Quality Infrastructure Programme; (c) the purchase of Used Cars; (d) Pyramid Schemes; (e) purchasing shop worn items; (f) mobile telephone service, addressing instruments' compatibility with either the C&WJ or Digicel network; (g) merchants' refund policy; (h) British Caribbean Insurance Company's proposed motor vehicle emergency program; (i) concession agreement for the privatisation of the railway service and; (j) the Sangster International Airport. The Commission also met with various associations and companies. These include the National Housing Trust, Courts Jamaica Limited, Red Stripe Limited and the Importers & Distributors Association. Other avenues for public education activities took the form of press conferences, releases and advisories, television and radio interviews, seminars or workshops and addresses given by the Executive Director to service clubs and tertiary institutions.

On September 24, 2001 the Commission presented its second lecture in the "Shirley Playfair Lecture Series". The Lecture was presented by Mrs. Beatriz Boza, immediate past president of the National Institute for the Defence of Competition and the Protection of Intellectual Property (INDECOPI), the Peruvian Competition Agency. Mrs. Boza presented a paper entitled "The role of a Competition Agency in a small developing nation".

The Commission also hosted its first Consumer Awareness Day and Merchants' Seminar. The Consumer Awareness Day was observed on June 30, 2001. Information booths at Mall Plaza, 20 Constant Spring Road and the Springs Shopping Centre, 15 Constant Spring Road, Kingston 10 provided a large cross section of the public with valuable information on the Commission and its work. The Staff interacted with the public, fielded questions and received feedback on the effectiveness of the Commission. Complaints were accepted on the spot.

The seminar for Merchants was held on November 7, 2001 at the Petroleum Corporation of Jamaica auditorium. The focus was on consumer related matters and topics covered included the Role and Function of the FTC, Misleading Advertising, Sale at Bargain Price, Sale above Advertised Price and Refund Policy. The seminar was attended by members of the business community and the general public and ended with a spirited question and answer session.

The Executive Director, Senior Economist and Complaints Officers all spoke on radio talk shows like Nationwide, The Breakfast Club, Hotline, Straight Talk, The People's Business and Risky Business. A wide-ranging number of issues was discussed during the year. The Executive Director also appeared on Love Television and on the Jamaica Information Service's programme *Think Tank*.

The December 2001 issue of the Commission's annual Newsletter was published and circulated to various interest groups, locally and abroad.

ECONOMIC STUDIES

The FTC completed its investigations into the Coconut Industry Board (CIB) and the Cocoa Industry Board. The investigations sought to determine if the statutory powers and activities of the Boards contravene the FCA. The objectives of the investigations were twofold: (a) to assess if the powers and activities of the Board are in any way anti-competitive under sections 17(1) and 20(1); and if so (b) to carry out an analysis in accordance with §17(4) and 20(2). The investigation into the Coconut Industry Board revealed that although the Board has exclusive rights to the copra market, there is no resulting anti-competitive effect. The investigation into the Cocoa Industry Board found no evidence of abuse of dominance in relation to prices paid by the CIB to growers neither did it find any evidence of any other forms of abuse of dominance, such as the creation of barriers to entry for potential entrants to the market or the leveraging of dominance in one market to gain an advantage in another market.

The Commission also concluded investigations into three (3) allegations of Predatory Pricing, against (a) Telstar Cable Limited, (b) Tank Weld Metals Limited and (c) Super Plus Food Store. (a) It was found that the special offer extended by Telstar was not a case of predation but is considered to be a form of *healthy* competition which forces its competitors to come up with better deals which ultimately benefit the consumer and such behavior should therefore be encouraged, not prohibited. (b) In the allegation against Tank Weld Metals Limited, it was found that although Tank Weld was found to be dominant in the wholesale nail market in Jamaica, there was no evidence of predatory

behavior. (c) A study of the promotions carried out by Super Plus Food Store indicated that it did not meet the criteria of predatory pricing as it was neither in place for a prolonged period nor did it cover a sufficiently wide range of the product lines relevant to the market. The staff of the FTC therefore did not consider that it had the potential to inflict real damage to the competitive process.

Major on-going investigations

Currently, investigations are being conducted into the Beer, Lottery, Telecommunications and Health Insurance sectors.

PARTICIPATION IN THE DEVELOPMENT OF TRADE POLICIES

During the Financial Year 2001/2002, the FTC was invited to become a part of the Jamaica Trade and Adjustment Team (JTAT) because of our role in influencing trade policy. JTAT was established under the Ministry of Foreign Affairs & Foreign Trade and comprises the Minister of Foreign Trade and representatives from the public and private sectors, the Regional Negotiating Machinery/CARICOM, civil society and Local Government.

Generally, its mandate was to examine the policy implications of the Cotonou Agreement and to assess the efficacy of the measures that will be adopted to improve Jamaica's competitiveness.

Adjustment means, inter alia, that the private sector must be encouraged to initiate activities which will create new outputs in which their proprietary knowledge permits of product differentiation, affords

them riches and provides for competitive advantage. All of this is to be seen against the background that support for the private sector must contribute to helping:

- uncompetitive enterprises and their workforces make an orderly exit when there is no prospect of revival;
- new firms or new activities achieve competitive ability in a timely manner;
- existing firms capable of adjusting and remaining competitive to be supported.

The types of support can range from facilitative infrastructure to training and upgrading of workers.

The Commission contributed to the discussions by presenting a paper highlighting the difference between traditional approaches to Trade Policy and a new Trade Policy, as dictated by the "rapidly changing global environment". By way of oral response presented at a Seminar, the FTC (a) underscored the need to have the economy focus on value added products in preference to primary products; (b) questioned the implications of Jamaica's attempts to secure concessions in the global market when concessions are on the way out; and (c) expressed the view that every care should be taken to ensure that when multi-nationals come into Jamaica they are brought in line with competition policy, rather than being exempt.

In accordance with its mandate, JTAT continues to facilitate discussions from which a wide cross-section of views and recommendations can be gathered and the FTC continues to attend JTAT meetings and to contribute to the discussions on Jamaica's new Trade Policy.

LEGISLATION/REGULATIONS

By way of update as to developments regarding the legal framework, we point out that we have been seeking to strengthen the Law in a number of areas:-

(a) In July 2001, drafting instructions were delivered to the relevant Ministry, addressing amendments to the 2000 Notices and Procedures Regulations. The objective is to standardize and legitimize the procedures which are to be followed when a complaint comes to the Commission.

(b) Legislative amendments to the Fair Competition Act, dated August 21, 2001 were passed to, among other things:

(i) Widen the definition of "documents" to accord with the current definition under the Evidence Act. Thus maps, plans, photographs, discs, tapes, soundtracks, films etc. may be admitted as evidence in a case brought under the FCA.

(ii) Extend the reach of "tied selling" to include services.

(iii) Bring under the Resident Magistrate's Court jurisdiction, such offences as:

- obstructing, preventing or impeding an investigation;
- destruction or altering of any document, record or

- thing required to be produced;
- giving false or misleading information to the Commission;
- failing to attend and give evidence before the Commission;
- failure to supply information.

(iv) To enable the Commission to conduct investigations into conduct that not only has the effect of substantially lessening competition; and is misleading the public, but which is likely to have the aforesaid effects.

(c) In June 2001, the FCA was amended to remove the element of intention from the provision governing Sale at a Bargain price. Drafting instructions were issued in December 2001 for appropriate Regulations to be enacted.

Whereas the relevant statutory provision requires the seller/advertiser of goods in a sale, to have reasonable quantities to meet the demand, Parliament required that the criteria for the determination of “reasonableness” be set out in Regulations.

Generally, fines for these offences were set at a maximum of \$500,000.00 and term of imprisonment was reduced from a maximum of five years to a maximum of one year.

In an effort to dullen the effect of the Court of Appeal ruling in the Jamaica Stock Exchange v Fair Trading Commission case; and to allow the Commission to function with some modicum of effectiveness, certain adjustments to the Fair Competition (Notices and Procedures) Regulations, 2000 were considered. Drafting instructions were submitted to the MICT in July of 2001. A first draft was passed to the Commission in November 2001 for its perusal and comments. Comments and queries were communicated to the MICT in December 2001 and a response was received in January 2001.

The need for defined guidelines in the conduct of investigations had become critical, and therefore instructions for the amendment of the Notices and Procedures Regulations were incorporated into the amendments which were being undertaken.

It is recognized that the Fair Competition Act will have to be thoroughly overhauled and amended in the very near future. In the absence of such an overhaul, the Commission's work will continue to be severely hampered.

BUDGETARY ALLOCATION

For the Financial Year 2001/2002, the Commission was allocated \$31.5M by the Ministry of Industry Commerce and Technology. This represented a shortfall of \$6.1M from our Budgetary Request of \$37.6M and resulted in a restructuring of planned programmes. The Commission's Recurrent Expenditure totaled \$31.4M for the year, well above the actual amount of \$28.5M that was allocated by the MICT.

Table 1

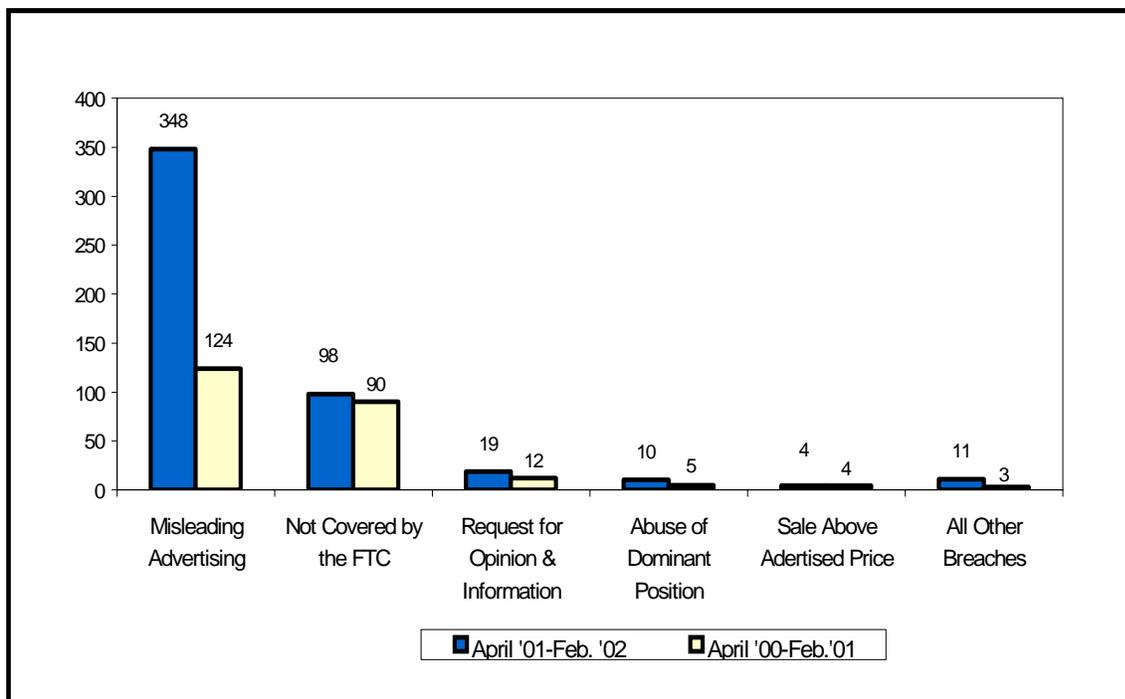
Cases Investigated and Completed for the period
April 1, 2001 to March 31, 2002

<i>Breach/Investigation</i>	<i>Investigated*</i>	<i>Completed</i>
Abuse of Dominant Position	19	6
Application for Authorization	4	0
Double Ticketing	0	1
Market Restrictions	3	0
Misleading Advertising	575	131
Not covered by the Act	140	86
Request for Information	4	2
Request for Opinion from FTC	46	30
Sale Above Advertised Price	9	5
Other Offences Against Competition	2	12
Tied Selling	0	0
<u>TOTAL</u>	826	273

- *these include cases carried over from previous periods*

Figure 1

NUMBER OF CASES RECEIVED



FAIR TRADING COMMISSION

SCHEDULE OF EMOLUMENTS OF SENIOR OFFICERS

Post	Basic Salary p.a. (inclusive of Taxable Allowances)
Executive Director	\$2,450,000
Senior Legal Counsel	1,375,795
Senior Economist	1,500,000
General Manager	1,740,168

Note that:

- a) A Gratuity of 25% of Basic Salary is paid annually.
- b) All Senior Officers are assigned fully maintained motor vehicles.
- c) No Non-Taxable Allowances are paid to Senior Officers.

**FAIR TRADING COMMISSION
AUDITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2002**

<u>CONTENTS</u>	<u>PAGE</u>
AUDITOR'S GENERAL REPORT	I
BALANCE SHEET	II
DETAILED INCOME & EXPENDITURE ACCOUNT	III
STATEMENT OF CASH FLOWS	IV
NOTES TO THE FINANCIAL STATEMENTS	V - VI
SCHEDULE OF EXPENSES	VII - VIII

AUDITOR GENERAL'S REPORT ON THE
FINANCIAL STATEMENTS OF THE
THE FAIR TRADING COMMISSION

I have audited the Balance Sheet of the Fair Trading Commission as of March 31, 2002 and the Income and Expenditure and Cash Flow Statement for the year then ended. These Financial Statements are the responsibility of the Commission's Directors and Management. My responsibility is to express an opinion on the Statements based on my audit.

I conducted my audit in accordance with the auditing standards, issued by International Organization of Supreme Audit Institutions (INTOSAI). Those standards require that I plan and perform an audit to obtain reasonable assurance whether the Financial Statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my 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, 2002 and the results of its operations and cash flow for the year then ended, and comply with the provisions of Section 13(1) of the Fair Competition Act, 1993.


Auditor General
3/12/2003

FAIR TRADING COMMISSION

II

**BALANCE SHEET
AS AT 31st MARCH 2002**

	<u>Notes</u>	<u>2002</u>	<u>2001</u>
	\$	\$	\$
<u>Fixed Assets:</u>			
At Cost Less Aggregate Depreciation	(2b & 4)	1,995,897	3,046,748
<u>Current Assets:</u>			
Receivables	94,129		479,669
Prepayments	71,257		63,128
Fixed Deposits			2,200,000
Cash & Bank Balances	1,653,662		1,477,798
	<u>1,819,048</u>		<u>4,220,595</u>
<u>Current Liability:</u>			
Accounts Payable	1,408,968		
	<u>1,408,968</u>		<u>0</u>
Net Current Assets		<u>410,080</u>	<u>4,220,595</u>
NET BOOK WORTH		<u>2,405,977</u>	<u>7,267,343</u>

REPRESENTED BY:

Capital Fund	(5)	1,995,897	3,046,748
Revenue - Accumulated Surplus		<u>410,080</u>	<u>4,220,595</u>
		<u>2,405,977</u>	<u>7,267,343</u>

Peter-John Cordon CHAIRMAN

[Signature] COMMISSIONER

The accompanying notes form an integral part of these financial statements and must be read in conjunction with them.

FAIR TRADING COMMISSION
INCOME AND EXPENDITURE STATEMENT
YEAR ENDED 31st MARCH 2002

III

	<u>Notes</u>	<u>2002</u>	<u>2001</u>
		\$	\$
Income:	(2c)		
Government Grant		28,265,716	28,159,958
Other Income		341,670	647,095
Appropriations in Aid Fund	(2d)	145,826	1,377,526
Transfer from G.O.J. & USAID Capital Grant		<u>1,322,134</u>	<u>1,302,297</u>
		30,075,346	31,486,876
Expenses:	(2c)		
Salaries & Other Staff Costs		22,580,661	23,544,048
Travelling & Transportation		1,936,483	2,347,343
Rental		3,136,338	3,047,896
Utilities		658,175	587,189
Professional Services		2,323,897	1,708,822
Printing & Stationery		278,955	279,962
Postal & Cable		32,040	25,020
Subscriptions		40,544	47,940
Office & General Expenses		128,597	309,998
Repairs & Maintenance		82,905	71,104
Depreciation		1,322,134	1,302,297
Official Entertainment		35,597	0
Staff Welfare	(2e)	126,893	101,613
Bank Charges		27,692	39,068
Miscellaneous Expenses		912,897	848,125
Insurance		<u>262,052</u>	<u>206,110</u>
		<u>33,885,861</u>	<u>34,466,535</u>
Net Surplus / (Deficit) For The Year		(3,810,515)	(2,979,659)
Surplus At The Beginning Of The Year		<u>4,220,595</u>	<u>7,200,254</u>
Accumulated Surplus At The End Of The Year		<u>410,080</u>	<u>4,220,595</u>

The accompanying notes form an integral part of these financial statements and must be read in conjunction with them.

FAIR TRADING COMMISSION

IV

**STATEMENT OF CASH FLOWS
YEAR ENDED 31ST MARCH**

	<u>2002</u>	<u>2001</u>
	\$	\$
Cash Flows From Operating Activities:-		
Net Surplus Per Accounts	(3,810,515)	(2,979,659)
Adjustments to reconcile income for the year to net cash provided by operating activities:		
Depreciation	1,322,134	1,302,297
Transfer from G.O.J. & USAID Capital Grant	(1,322,134)	(1,302,297)
Profit on disposal of Fixed Assets	-	-
	(3,810,515)	(2,979,659)
(Increase)/Decrease in Current Assets		
Accounts Receivable	385,540	(42,713)
Prepayments	(8,129)	(20,956)
Increase/(Decrease) in Current Liability		
Accounts Payable	1,408,968	0
Net Cash Provided By Operating Activities	(2,024,136)	(3,043,328)
Cash Flows From Investing Activities:-		
Purchase Of Fixed Assets	(271,284)	(959,042)
Proceeds from disposal of Fixed Assets	-	-
Net Cash Used In Investing Activities	(271,284)	(959,042)
Cash Flows From Financing Activities:-		
Capital Fund	271,284	959,042
Net Cash Used In Financing Activities	271,284	959,042
Net Increase In Cash And Cash Equivalents	(2,024,136)	(3,043,328)
Cash & Cash Equivalents At The Beginning Of The Year	3,677,798	6,721,126
Cash And Cash Equivalents At The End Of The Year	1,653,662	3,677,798
Represented By:		
Cash & Bank Balances	1,653,662	1,477,798
Fixed Deposits	-	2,200,000
	1,653,662	3,677,798

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2002**

1. **IDENTIFICATION:**

(a) **The Commission:-**

The Fair Trading Commission was established to enforce the regulations of the Fair Competition Act which was enacted 9th March, 1993 and became effective on the 9th September, 1993.

(b) **Main Objectives:-**

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.

(c) **Taxation:-**

Government grant receipts are not taxable income. Other receipts are exempt from Income Tax, as per Section 12(h) of the Income Tax Act.

2. **SIGNIFICANT ACCOUNTING POLICIES:**

(a) **Accounting Convention:-**

These financial statements are prepared under the Historical Cost Convention and are expressed in Jamaican dollars.

(b) **Depreciation:-**

Depreciation is calculated on the straight line basis at rates calculated to write off the assets over their estimated useful lives. Rates applied in these financial statements are:

Motor Vehicles	20%
Furniture & Fixtures	10%
Computer Equipment	25%

(c) **Income & Expenses:-**

Income and expenses are recorded on the accruals basis. Income refers to subvention from the Government of Jamaica. Other income refers to interest gained from Certificates of Deposit, G.C.T refund and photocopying charges. Capital Funds and Grants are not shown in the Income & Expenditure Statement.

(d) **Appropriations in Aid fund** refer to amounts recovered for costs incurred from settling complaints outside of the Courts.

(e) **Expenses funded from Out of Court Settlement**

\$126,893 relates to Staff Welfare expenses which were funded from the Appropriations in Aid Fund.

3. **PENSION FUND**

The company 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, 2002 was \$9,283,008.37

FAIR TRADING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH, 2002

VI

4. FIXED ASSETS:

Particulars	GOJ Motor Vehicles	USAID Furniture Fixtures & Equipment	GOJ Furniture Fixtures & Equipment	Total
	\$	\$	\$	\$
Cost				
Balance b/f 1/4/01	3,226,965	876,678	3,124,562	7,228,205
Additions:2001/02 Adjustments:*			271,284	271,284
Balance b/d 31/3/02	3,226,965	876,678	3,395,846	7,499,489
Accumulated Depreciation				
Balance b/f 1/4/01	1,629,106	868,759	1,683,592	4,181,457
Depreciation Charge Adjustments	645,393	7,919	668,822	1,322,134
Balance b/d 31/3/01	2,274,499	876,678	2,352,414	5,503,591
Net Book Value 31/03/02	952,466	0	1,043,432	1,995,898
Net Book Value 31/03/01	1,597,859	7,919	1,440,970	3,046,748

5 CAPITAL FUND

(A) GOJ

\$

Balance at the beginning of the year	3,038,829.00	
Funds Received during the year	271,284.00	
* Less transfer to Income and Expenditure Account	(1,314,214.92)	
Balance at 31 March 2002	<u><u>1,995,898.08</u></u>	1,995,898

(B) USAID

Balance at beginning of year	7,919	
Less Transfer to Income and Expenditure Account	(7,919)	
Balance at 31st March 2002	<u><u>0</u></u>	0
		<u><u>1,995,898</u></u>

FAIR TRADING COMMISSION

VII

**SCHEDULE OF EXPENSES
YEAR ENDED 31ST MARCH 2002**

	<u>Notes</u>	<u>2002</u>	<u>2001</u>
		\$	\$
Salaries & Other Staff Costs:			
Salaries		15,120,790	15,332,703
Salaries (Temp) & Wages		767,429	505,181
Clothing & Robing Allowances		875,018	960,310
Library Allowance		356,721	383,564
Meal Allowances		412,878	470,755
Overtime Allowances		195,149	115,916
Statutory Contributions		822,389	750,596
Health Plan		558,393	553,317
Pension Plan Contribution	(3)	616,953	933,802
Gratuity		2,854,941	3,537,906
		<u>22,580,661</u>	<u>23,544,048</u>
Travelling & Transportation:			
Motor Vehicle Allowances		1,102,519	1,137,689
Mileage Allowances			187
Subsistence (Local)			0
Cab Fare		53,625	27,500
Petrol & Oil		206,812	253,403
Repairs & Maintenance - Motor Vehicles		388,536	416,973
Air Fare		152,570	181,858
Subsistence (Foreign)		32,420	329,732
		<u>1,936,483</u>	<u>2,347,343</u>
Rental:			
Rental Of Building		3,078,498	2,973,522
Other Rental		57,840	74,374
		<u>3,136,338</u>	<u>3,047,896</u>
Utilities:			
Electricity		262,881	266,078
Telephone & Fax		395,295	321,110
		<u>658,175</u>	<u>587,188</u>

FAIR TRADING COMMISSION**VIII****SCHEDULE OF EXPENSES
YEAR ENDED 31st MARCH 2002**

	<u>2002</u>	<u>2001</u>
	\$	\$
Professional Services:		
Auditing Fees	3,000	3,000
Advertising & Public Relations	502,150	176,321
Consultancy	373,586	151,603
Consulting (Legal Fees)	24,911	49,678
Stipend (Commissioners)	1,420,250	1,328,220
	<u>2,323,897</u>	<u>1,708,822</u>
Office and General Expenses		
Drugs& First Aid	8,578	6,172
Text & Reference Books	12,589	119,565
Food & Drinks	107,429	184,260
	<u>128,597</u>	<u>309,998</u>
Miscellaneous Expenses		
Sanitation, Security Services,Donation,etc.	912,898	848,125
	<u>912,898</u>	<u>848,125</u>