



FAIR TRADING COMMISSION

ANNUAL REPORT

FINANCIAL YEAR 2002/2003

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ANNUAL REPORT

FINANCIAL YEAR 2002/2003

EXECUTIVE DIRECTOR'S REMARKS

The Commission's ability to fulfill its mandate depends to a very large measure, on its Budget Allocation. For the third consecutive year, the amount allocated was insufficient and severely hampered the Commission's ability to handle the volume of complaints received and to carry through programmes aimed at informing the public and monitoring the conduct of business.

The recruitment of two (2) additional Officers for our Technical Staff was again postponed. Over time, as the Commission's work becomes more widely appreciated it has been experiencing a phenomenal increase in its caseload. The number of cases received has risen significantly from **332** in 1999 to **585** in 2002. This has affected our efficiency as reflected in a reduced resolution rate which decreased from 67% in 1999 to 34% in 2001. With persons working at night and on week-ends the rate increased to 50% in 2002. Further, the investigative procedures were streamlined. It is expected that the resolution rate will decrease if the number of complaints received continues to increase. Currently, Respondents are already avoiding prosecution because the FTC does not have the manpower required to pursue Court action to the measure required.

Based on the importance of, and need for Staff training, together with budgetary limitations, approaches were made to various funding agencies and international bodies. This resulted in both Economists and a Legal Officer being able to participate in a total of three (3) overseas seminars/workshops.

Weaknesses in the FCA, which were highlighted in the Court of Appeal Judgement in the Jamaica Stock Exchange v Fair Trading Commission case, prohibited the

Commission from properly investigating a number of complaints. Steps have been taken to amend the legislation and to have the weaknesses properly dealt with.

During the year, the Commission benefited from the assistance of the New Economy Project (NEP), an arm of the United States Agency for International Development (USAID). The NEP provided technical assistance to the FTC for capacity building in competition policy and with the review and restructuring of the FCA. The objectives of the project were to (a) assist in the restructuring of the FCA to allow effective enforcement against anticompetitive practices; (b) improve the technical capacity of the FTC by formulating and funding a comprehensive skills development programme for the Commissioners and Technical Staff; and (c) improve the Commission's database management system by assisting with the development of a new Case and Workflow Management System. The project commenced in September 2002, and is to last for a one-year period.

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 events, activities and programmes during the year were well received by the target audiences.

**Barbara Lee (Mrs.)
Executive Director
April 20, 2003**

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 2002/2003 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.
- Strengthen the Commission's understanding of the reasons for anti-competitive practices and undertake studies on anti-competitive activities.

- 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.
- Influence the Ministry of Foreign Affairs & Foreign Trade as it seeks to determine Jamaica's competition policy, thereby contributing to the formulation of FTAA, CARICOM and WTO Rules in the area of Competition Law and Policy.
- 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 Chapter VIII relating to the Rules of Competition.
- Provide technical support in the development of the CARICOM Chapter IX on Disputes Resolution.

HIGHLIGHTS OF PERFORMANCE/ACHIEVEMENTS

Cases Investigated

Over the period April 1, 2002 to March 31, 2003 a total of 1,148 cases were investigated by the Commission with 589 being completed (See Table 1 for details of cases investigated and completed). This compares with 763 cases investigated and 207 being completed in the equivalent period in the previous Financial Year. The number of cases investigated increased by 50% whereas the number of cases closed increased by 185%.

A total of 622 cases were received during the Financial Year. Of that number, 528 cases were classified as cases of 'Misleading Advertising' (MA). Similar to the previous period, MA cases accounted for the majority of matters received, comprising approximately 85% of all cases dealt with. In the previous period 67% of all cases received were cases of MA. Most of the MA cases fell into the following product categories: Motor Vehicles (142), Appliances (89), Furniture (48), Computer (36), Education (18) and Apparel (15). One factor which contributes to the

continuous increase in MA cases is that the Jamaican public is becoming more aware of its rights concerning product quality warranties.

Cases deemed 'Not covered by the FCA' (NA) formed the second highest category of complaints received, accounting for approximately 8% (49 of 622) of the cases received, compared with 16% in the previous period. This indicates that although the number of NA cases has increased, there has been no significant change in relation to the total number of cases received. See Figures 1 and 2 for a comparison with the previous Financial Year.

In comparison to the above categories, each of the others represented a relatively small number of the cases received. One case was received in the category "Abuse of Dominant Position", seventeen (17) in the category "Opinion Requested", three (3) in the category "Sale Above Advertised Price" and twenty-four (24) cases were received in the category "Offences Against Competition".

Resolution Rates

Overall, the Commission successfully completed approximately 51% of the cases investigated during the financial year, compared with 27% in the previous Financial Year. This increase in resolution rate was achieved in spite of an increasing number of cases being investigated and with fewer than the required number of Officers. The increase in number of cases received could be viewed to be a result of the increased level of awareness by the public, on the Commission's role and function. Since there has also been an increase in the resolution rate, it can be concluded that there has been increased efficiency in the closure of cases. This was achieved in part by the implementation of standards and procedures in the investigative process (see Figures 3 and 4).

There was a significant improvement in the resolution rate for cases of "Misleading Advertising". 48% of MA cases were resolved, as compared with 17% during the previous period. This was achieved in spite of the fact that the number of MA cases

increased by 80%, from 537 in the period 2001/2002 to 968 in the period 2002/2003.

High resolution rates were also recorded in the categories of "Not Covered by the FCA" (NA) and "Requests for Opinion" (78% and 67% respectively). NA cases were expeditiously processed in order to quickly direct the Informants to the correct avenues through which they could obtain assistance; and "Requests for Opinion" were treated as high priority.

Despite the increasing number of cases received and our inability to increase staff complement, the Commission was able to handle its case load by streamlining its investigative process thereby increasing the resolution rate. It must be noted, however, that if the number of cases complaints continues to rise at the current rate without increased manpower, the Commission will not be able to maintain current resolution rate.

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Major Cases Investigated

The Commission pursued a number of matters in the Courts during the 2002/2003 Financial Year and continued to enforce provisions of the FCA specifically as they relate to the Telecommunications Industry. Other matters being investigated include complaints against Key Motors Limited and The Warehouse.

Out-of-Court Settlements

Cars & Commercials Limited

The Informant lodged a complaint with the Commission alleging that the Subaru Legacy motor car which he purchased was a 1997 model and not a 1998 model as was represented by the Respondent. On the car being valued, it was revealed that it was in fact a 1997 model and not a 1998 model.

Following an investigation by the Commission it was concluded that the Respondent's conduct amounted to a breach of Section 37 of the FCA. A Consent Agreement was negotiated between the FTC and Cars & Commercials Ltd. in

October 2002, whereby Cars & Commercials agreed to Pay to the Informant, within 30 days of the date of the Agreement the sum of One Hundred and Twelve Thousand One Hundred and Thirty-Seven Dollars and Twenty-two cents (\$112,137.22) representing the difference between the cost of 1997 and 1998 models, together with compound interest at the rate of 13.4% 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 Fifty-One Thousand Dollars (\$51,000.00).

Red Stripe Limited

The Informant, Real Rock, alleged that the Respondent had exclusive rights for the sale and promotion of brewed products at all Carnival 2002 events. Following an investigation which focused on the non-promotion of competing products at selected outlets; supply of sales data on competing brands; non-sales and non-promotion of competing products at sponsored events; recommended sale of competing alcoholic products at premium prices at sponsored events; and post-term preferential clauses, the Respondent entered into a Consent Agreement with the FTC. The Agreement which was signed in May 2002, was based on several terms relating to Red Stripe's sponsorship contracts, which included:

- a. the removal of options to renew and rights of first refusal from all of its events sponsorship contracts;
- b. the stipulation that the duration of all its sponsorship agreements will not exceed three (3) years;
- c. the stipulation that all contracts will allow for termination without cause, except for those involving very significant contributions;
- d. the stipulation that sales exclusivity of brewed products will be required only in situations in which it contributes more than \$50,000 annually in sponsorship towards and event; and
- e. the removal of terms relating to the recommendation that non-Red Stripe products be sold at premium prices at Red Stripe-sponsored events.

Blue Cross of Jamaica Limited

The Association of General Practitioners informed that Blue Cross had introduced an electronic claims adjudication system and that providers were being required to pay a fee of 1.75% on adjudicated claims. The Informant expressed concern about the set up cost of the new system and the fact that after June 2002, Blue Cross would be accepting claims made only via the new system.

After the commencement of the investigation, Blue Cross requested that it be terminated; and agreed to a Consent Agreement being entered into. It included:

- a. terms to ensure the retention of the manual system;
- b. a requirement that Blue Cross make available the relevant specifications to any party who wishes to develop an alternative claims processing system which is compatible with its own, and
- c. terms to ensure that Blue Cross indicate clearly to providers that they are free to treat transaction fees associated with the Provider Access System, in any manner they considered appropriate.

Court Matters

FTC v. Pyramid Roofing Systems

The FTC received a complaint against Pyramid Roofing Systems. The Informant alleged that she contracted the Respondent to install a new roof on her house, but the job was badly done, resulting in 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, when the matter was heard, the Court granted the Declaration and made an Order that the Respondent pay a fine of \$700,000.00. The FTC is in the process of executing the Order.

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 on September 27 to 28, 2001. Judgement was handed down on July 19, 2002, in favour of the Respondents. The FTC filed Notice of Grounds of Appeal in the Court of Appeal on August 5, 2002. The Attorney General has undertaken to conduct the Appeal on behalf of the FTC.

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 had paid the Respondent over Five Hundred Thousand Dollars (\$500,000.00) to install and maintain the gates.

The matter was heard on September 28, 2001; and the Respondent was found to be in breach of the FCA. A fine of One Hundred Thousand Dollars (\$100,000.00) was imposed. The FTC is attempting to have the Judgement executed.

FTC v Shell Company (Jamaica) Limited

The Informants alleged that the Respondent entered into a Distributorship Agreement the terms of which contravene certain provisions of the Fair Competition Act.

An Originating Motion was filed in the Supreme Court on September 20, 2001 against the Respondent, but will be discontinued following certain adjustments which Shell is prepared to make to its Agreement.

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 2002/2003 Financial Year the Commission rendered opinions and provided guidance in respect of (a) Shell Company Ltd. video to verify compliance with the FCA; (b) JTAC, on the Telecommunications Policy Reform Project Preliminary Programme; (c) the purchase of Used Cars; (d) National Numbering Plan; (e) Transport Authority, on a proposed mass-based insurance policy for public passenger vehicles; (f) OUR, on a proposal from Cable & Wireless Jamaica to combine the service of a stand alone residential phone line and unlimited access to the Internet, as a single service; (g) PHS Group PLC, on exclusive distribution agreements; (h) the Pharmacy Council, on vertical integration by Facey Commodity, in the market for pharmaceuticals; (i) the effectiveness of cellular phone filters; (j) motor vehicle model year discrepancy; (k) prescription fees on over-the-counter drugs; (l) the competitive effects of the planned privatization of the Sangster International Airport. The Commission also met with various associations and companies. These include the Bureau of Standards, Courts Jamaica Limited, the Jamaica Bar Association, the Private Sector Organisation of Jamaica, the Jamaica Chamber of Commerce. Other avenues for public education activities took the form of press conferences, press releases and advisories, television and radio interviews, seminars/workshops and addresses given by the Executive Director and other members of Staff to service clubs and tertiary institutions.

On September 17, 2002, the Commission presented its third lecture in the "Shirley Playfair Lecture Series". The Lecture was presented by Mr. Thomas Leary, Commissioner of the United States Federal Trade Commission. It took the form of a presentation aimed at a general audience and the presentation was entitled "The Tension between Competition Law and Trade Law". The audience would ponder the question "Are there any winners?". The one hundred and thirty (130) persons who were in attendance included members of the business community, the legal

fraternity, academia; journalists and representatives of various Government Ministries and Agencies.

Commissioner Leary was interviewed on several radio and television programmes including, JIS's MIND Talk aired on RJR's Jamaica Magazine, TVJ's Smile Jamaica, Hot 102's Drive Time Live, Power 106's Independent Talk, JIS's Issues and Answers, and KLAS FM's My Place.

The Commission held its second Consumer Awareness Day on July 27, 2002, under the theme "The Power of the Consumer". The event sought to empower the consumer by informing him of his rights and powers. Information booths on the ground and second floors of the Sovereign Centre Shopping Mall, provided shoppers with information on the Commission and its work. The Staff interacted with the public, fielded questions and received comments on the Commission's function.

On January 24, 2003, the Commission hosted a seminar for Judges on the subject of Competition Issues in Telecommunications. The presentation was well received by the twenty (20) persons in attendance. The audience comprised the Lord Chief Justice the Honourable Lensley Wolfe and nineteen (19) other members of the Judiciary.

The presenter was Dr. Martin Taschdjian, Professor at the University of Colorado and Consultant on Telecommunications issues. The presentation included an outline of the competition and regulatory issues in telecommunications; and provided an introduction to frequently used specialized terms and concepts. In recognition of the vital role of the judiciary in the enforcement of Competition Law, the Commission aims to conduct at least one Seminar for the Judges during each year.

The Executive Director, Legal Officer, Economists and Complaints Officers all spoke on radio talk shows like Nationwide, The Breakfast Club, Hotline, Straight

Talk, Balancing Justice and on the radio station Roots FM. A wide-ranging number of competition and consumer related issues was discussed. The Staff also made presentations to students of various secondary and tertiary level institutions.

December 2002 issue of the Commission's annual Newsletter was published and circulated to various interest groups.

ECONOMIC STUDIES

In addition to investigations into the Beer market, the market for the provision for Health Insurance services and the privatization of the Sangster International Airport, the FTC conducted investigations into (a) the Pharmaceutical Industry, on the practice by pharmacies to charge additional fees on over the counter drugs without informing customers prior to purchase; (b) the practice by some merchants to place a surcharge on the fee levied on credit card transactions; (c) the practices of the Jamaica Optometric Association in the market for optical services; (d) the markets for electronic money transmission and utility bill collections, to determine specifically whether the practice of tied selling exists in these markets; (e) the retailer agreement of the Jamaica Lottery Company, with respect to exclusive dealing and the post-term non-compete provisions.

The Staff participated in meetings on three (3) subject areas, namely (a) the Committee to assess the bidders for the fourth Cellular licence; (b) the benefits of a single regulatory body for Telecommunications and Broadcasting; and (c) the Caribbean Telecommunications Union.

Major on-going investigations

Currently, investigations are being conducted into services provided by Funeral Homes, the market for port facilities, and the Telecommunications sector.

PARTICIPATION IN THE DEVELOPMENT OF TRADE POLICIES

During the Financial Year 2002/2003, the FTC continued to participate in meetings of the Jamaica Trade and Adjustment Team (JTAT).

The Executive Director was named as the Alternate Lead Negotiator for the Free Trade Area of the Americas Negotiating Group on Competition Policy. A Legal Officer was named as representative on the Ministry of Foreign Affairs & Foreign Trade Inter-Ministerial & Agency Committee, for the implementation of the Revised Treaty of Chaguaramas.

Submissions were made on issues such as (a) the liberalization of the telecommunications industry; (b) Draft Model Laws on Competition and Consumer Protection; (c) the impact of WTO Rules/Trade liberalization on Jamaica; (d) the WTO's Work Programme on Small Economies; (e) CARICOM Secretariat Draft Model Law on Consumer Protection; (f) the establishment of Competition Law in Suriname.

The Commission also provided information to international entities such as the United Nations Conference for Trade & Development (UNCTAD), on three (3) areas, (a) Technical Assistance, International Cooperation and recent competition cases, and (b) specific cases of anti-competitive practices in the area of audio-visual services; and the Sir Arthur Lewis Institute of Social & Economic Research for a research project on Trade/Competition issues in CARICOM countries.

The Staff attended and/or presented at international seminars hosted by UNCTAD, International Competition Network (ICN), Organisation for Economic Co-operation Development (OECD), Consumer Unity and Trust Society (CUTS), and United Nations Economic Commission for Latin America and the Caribbean (ECLAC). The themes for these seminars included "Cooperation in Competition Law and Policies at the CARICOM level", "Regional Meeting on the Role of Competition Policy in Consumer Protection", "Latin American and Caribbean Region on Competition Law

and Policies” (hosted by UNCTAD), “Merger Control and Competition Advocacy” (hosted by ICN), “Abuse of a Dominant Position and Vertical Restraints” (hosted by OECD), “Competition Policy and Pro-Poor Development” (hosted by CUTS), “Hemispheric Developments in Competition Policy” (hosted by ECLAC).

It must be noted that participation at these seminars and conferences were fully funded by the hosting entity and in one instance, by the New Economy Project (NEP).

LEGISLATION/REGULATIONS

As set out in our submission for the Ministry Paper of March 2002, drafting instructions for Regulations to be established under Section 40 of the FCA were prepared and submitted to the Ministry.

Progress on the amendments to the Fair Competition (Notices and Procedures) Regulations, 2000, was slowed to advance the Commission's efforts to have the Act amended. Drafting instructions for procedural guidelines which would lend certainty and transparency to the Commission's investigative procedures were submitted to the Ministry in July, 2001.

Detailed and extensive proposals for amending the Act, to cure the jurisdictional dilemma highlighted in the Jamaica Stock Exchange case were submitted to the MCST in July 2002.

BUDGETARY ALLOCATION

For the Financial Year 2002/2003, the Commission was allocated \$30.5M by the Ministry of Industry Commerce and Technology. This represented a shortfall of \$8.9M from our Budgetary Request of \$39.4M and resulted in the restructuring of planned programmes, the shelving of a project to upgrade our database management system and the deletion of our plans to increase the technical capacity of our Staff through the hiring of additional personnel and the execution of a training programme. The Commission's Recurrent Expenditure for the Financial Year totaled \$32.4M, \$1M above the actual amount of \$31.4M that was disbursed by the Ministry.

Budgetary Proposal for 2003/2004

The following table summarises the Budgetary Request for the Financial Year 2003/2004 and the actual amounts spent in each of the previous three (3) Financial Years.

Object	2003/2004 Proposal	2002/2003 Actual	2001/2002 Actual	2000/2001 Actual
Compensation of Employees	30,425,197	24,652,702	23,726,175	24,607,387
Travel Expense & Subsistence	1,744,014	1,632,161	1,187,675	1,787,109
Rental Of Bldg., Machinery & Equip.	3,096,828	2,866,196	2,895,547	3,113,516
Public Utility Services	782,800	769,195	709,390	634,791
Purchase of other Goods & Services	2,826,161	2,469,565	2,678,182	2,691,784
Asset Purchases	2,040,000	76,623	301,351	975,716
Totals	40,915,000	32,466,442	31,498,320	33,810,303

STRATEGIC FOCUS FOR THE MEDIUM TO LONG TERM

Strategies to be employed include:

- (a) Initiating investigation into complaints within fifteen (15) working days;
- (b) Monitoring the market by keeping abreast of developments so that investigations can be initiated in the absence of complaints;
- (c) Prosecuting breaches of the FCA in accordance with in-house rules and procedures;
- (d) Increasing public awareness through Public Education;
- (e) Undertaking industry studies as resources allow, to determine competitiveness;
- (f) Disseminating information on the FTC directly to Government Ministries and also in the print, video, audio and electronic media;
- (g) Participating in seminars, workshops and meetings with Government policy makers, various associations, community groups and educational institutions;
- (h) Focusing on the business community to educate merchants on their responsibilities under the FCA, thereby reducing breaches of the Act;
- (i) Attending Free Trade Area of the Americas (FTAA) and CARICOM Inter-Governmental Task Force (IGTF) Meetings;
- (j) Attending International Seminars, specifically those hosted by other Competition Agencies, the International Competition Network (ICN), the United Nations Conference on Trade and Development (UNCTAD) and the Organization for Economic Co-operation and Development (OECD).;
- (k) Provide timely opinions to the Ministry of Foreign Affairs and Foreign Trade on sundry matters.

Table 1

**Cases Investigated and Completed for the year
April 01, 2002 – March 31, 2003**

<i>Breach/Investigation</i>	<i>Investigated*</i>	<i>Completed</i>
Abuse of Dominant Position	13	11
Application for Authorization	4	4
Double Ticketing	0	0
FTC Initiated Investigation	3	2
Market Restrictions	2	0
Misleading Advertising	968	464
Not covered by the Act	81	63
Request for Information	2	0
Request for Opinion from FTC	33	22
Sale Above Advertised Price	8	7
Other Offences Against Competition	34	16
Tied Selling	0	0
<u>TOTAL</u>	1148	589

- *these include cases carried over from previous periods*

- *these include cases carried over from previous periods*

Figure 1:

CASES INVESTIGATED
FOR PERIODS 2001/2002 AND 2002/2003

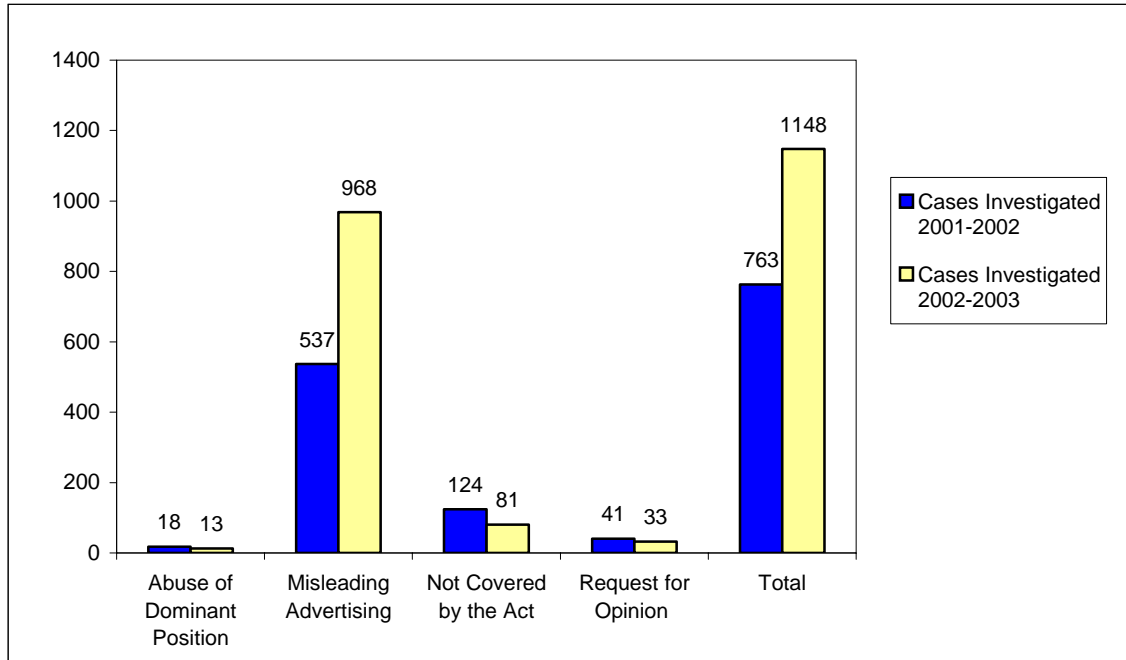


Figure 2:

CASES COMPLETED
FOR PERIODS 2001 - 2002 AND 2002- 2003

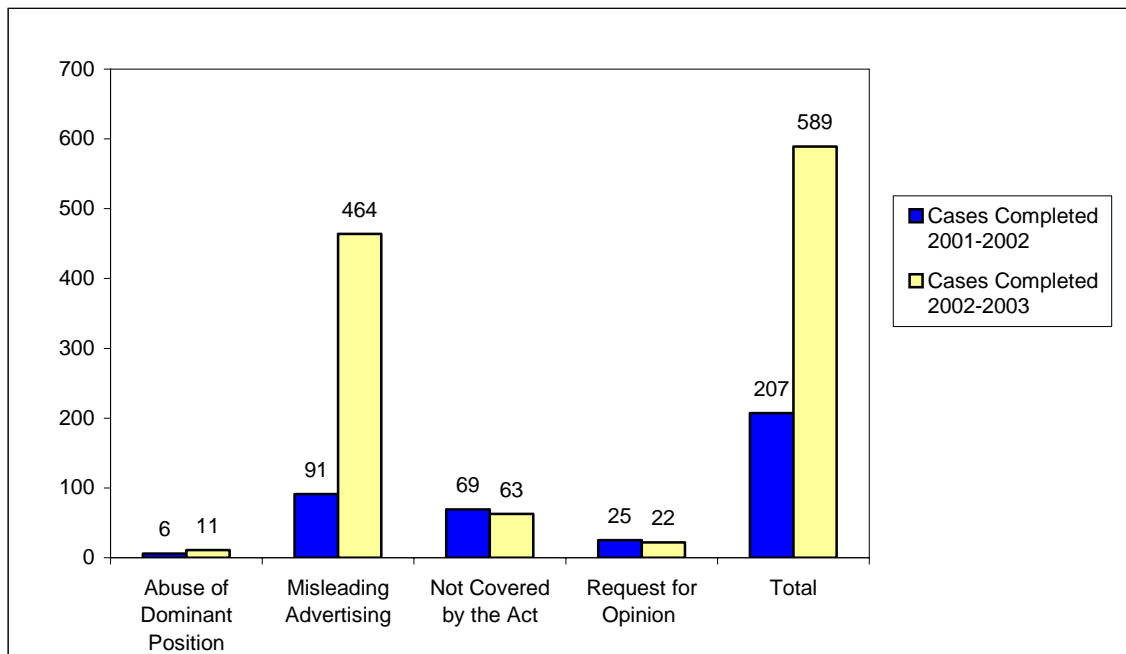


Figure 3: Investigation procedures into anti-competitive practices

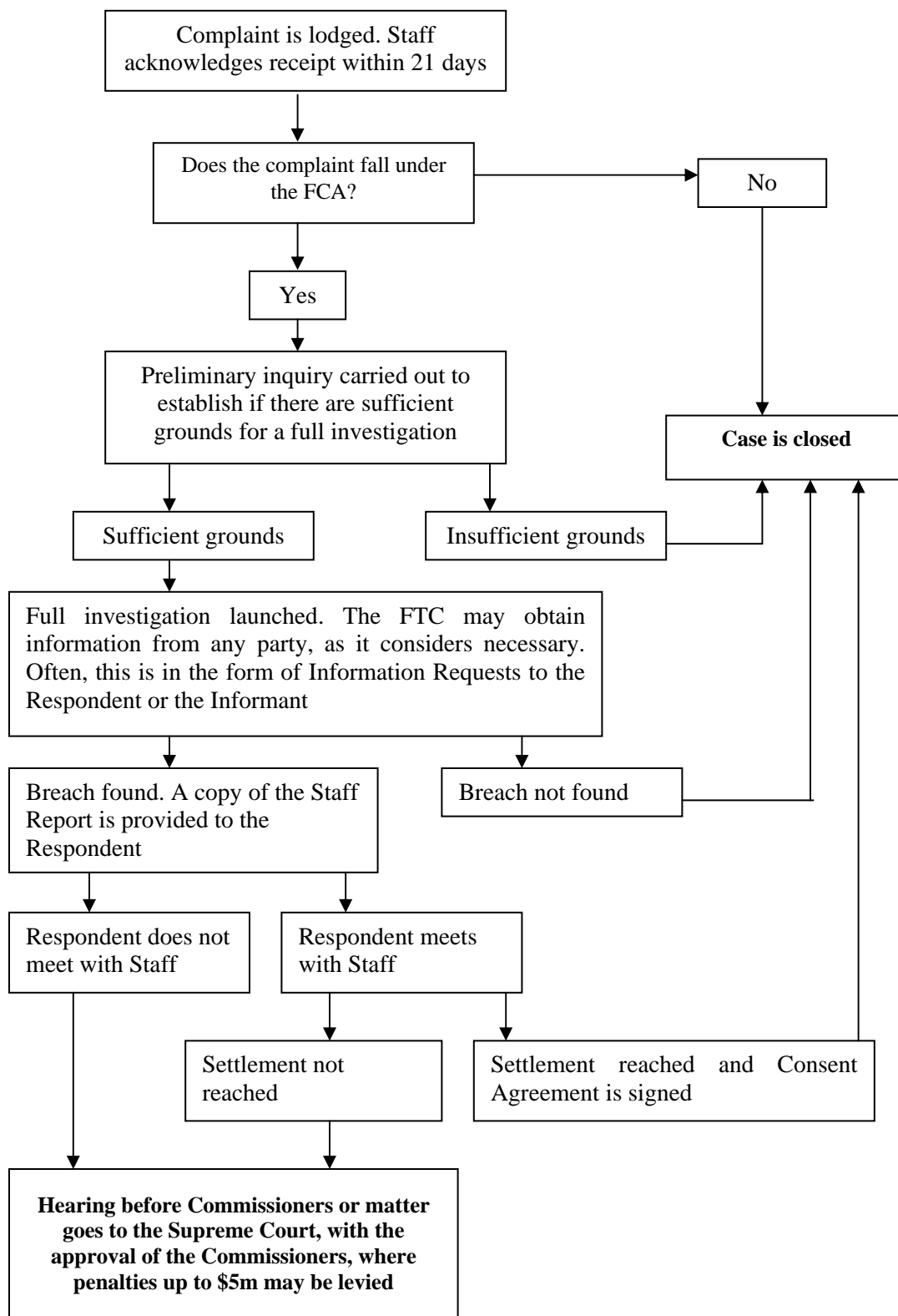
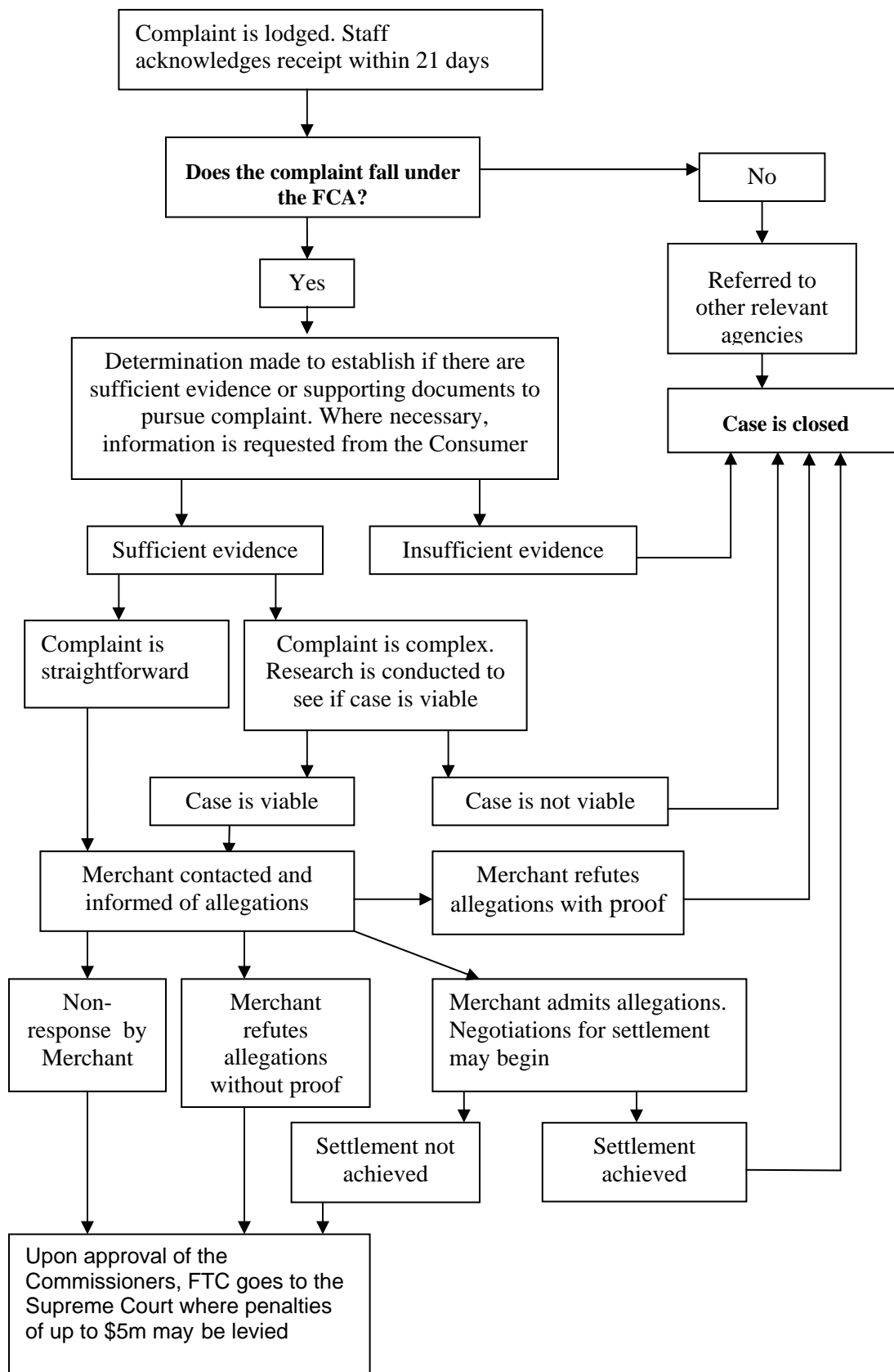


Figure 4: Investigation procedures into consumer affairs matters



FAIR TRADING COMMISSION

SCHEDULE OF EMOLUMENTS OF SENIOR OFFICERS

Post	Basic Salary p.a. (inclusive of Taxable Allowances)
Executive Director	\$2,737,069
Senior Legal Counsel	1,997,052
General Manager	2,046,278

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 2003**

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

I have audited the Balance Sheet of the Fair Trading Commission as at March 31, 2003 and the related statements of Income and Expenditure and Cash Flows for the year then ended. These financial statements are the responsibility of the Authority's Directors and Management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, proper accounting records have been kept and the financial statements mentioned above which are in agreement therewith give a true and fair view of the financial position of the Fair Trading Commission as at March 31, 2003 and of the results of its operations and cash flows for the year then ended in accordance with Generally Accepted Accounting Standards and comply with the provisions of Section 13(11) of the Fair Competition Act 1993.


Auditor General

17/1/2005

FAIR TRADING COMMISSION

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**BALANCE SHEET
AS AT 31st MARCH 2003**

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
	\$	\$	\$
<u>Fixed Assets:</u>			
At Cost Less Aggregate Depreciation	(2b & 4)	762,631	1,995,897
<u>Current Assets:</u>			
Receivables		118,915	94,129
Prepayments		89,988	71,257
Fixed Deposits			
Cash & Bank Balances		209,288	1,653,662
		<u>418,191</u>	<u>1,819,048</u>
<u>Current Liability:</u>			
Accounts Payable		1,276,415	1,408,968
		<u>1,276,415</u>	<u>1,408,968</u>
Net Current Assets		<u>(858,224)</u>	<u>410,080</u>
NET BOOK WORTH		<u>(95,593)</u>	<u>2,405,977</u>
<u>REPRESENTED BY:</u>			
Capital Fund	(5)	762,631	1,995,897
Revenue - Accumulated Surplus / (Deficit)		<u>(858,224)</u>	<u>410,080</u>
		<u>(95,593)</u>	<u>2,405,977</u>

Peter John Gordon 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 2003**

III

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
		\$	\$
Income:	(2c)		
Government Grant		31,386,654	28,265,716
Other Income		104,402	341,670
Appropriations in Aid Fund	(2d)	239,664	145,826
Transfer from G.O.J. & USAID Capital Grant		<u>1,289,614</u>	<u>1,322,134</u>
		33,020,334	30,075,346
 Expenses:	 (2c)		
Salaries & Other Staff Costs		22,546,631	22,580,661
Travelling & Transportation		1,939,927	1,936,483
Rental		2,865,168	3,136,338
Utilities		715,995	658,175
Professional Services		3,575,491	2,323,897
Printing & Stationery		327,363	278,955
Postal & Cable		48,829	32,040
Subscriptions		47,973	40,544
Office & General Expenses		146,898	128,597
Repairs & Maintenance		12,330	82,905
Depreciation		1,289,614	1,322,134
Official Entertainment			35,597
Staff Welfare	(2e)	183,392	126,893
Bank Charges		23,896	27,692
Miscellaneous Expenses		315,349	912,897
Insurance		<u>249,782</u>	<u>262,052</u>
		<u>34,288,638</u>	<u>33,885,861</u>
 Net Surplus / (Deficit) For The Year		 (1,268,304)	 (3,810,515)
 Surplus At The Beginning Of The Year		 <u>410,080</u>	 <u>4,220,595</u>
 Accumulated Surplus / (Deficit) At The End Of The Year		 <u><u>(858,224)</u></u>	 <u><u>410,080</u></u>

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

STATEMENT OF CASH FLOWS
YEAR ENDED 31ST MARCH

	<u>2003</u> S	<u>2002</u> S
Cash Flows From Operating Activities:-		
Net Surplus / (Deficit) Per Accounts	(1,268,304)	(3,810,515)
Adjustments to reconcile income for the year to net cash provided by operating activities:		
Depreciation	1,289,614	1,322,134
Transfer from G.O.J. & USAID Capital Grant	(1,289,614)	(1,322,134)
Profit on disposal of Fixed Assets		
	<u>(1,268,304)</u>	<u>(3,810,515)</u>
(Increase)/Decrease in Current Assets		
Accounts Receivable	(24,786)	385,540
Prepayments	(18,731)	(8,129)
Increase/(Decrease) in Current Liability		
Accounts Payable	<u>(132,553)</u>	<u>1,408,968</u>
Net Cash Provided By Operating Activities	<u>(1,444,374)</u>	<u>(2,024,136)</u>
Cash Flows From Investing Activities:-		
Purchase Of Fixed Assets	(56,347)	(271,284)
Proceeds from disposal of Fixed Assets		
Net Cash Used In Investing Activities	<u>(56,347)</u>	<u>(271,284)</u>
Cash Flows From Financing Activities:-		
Capital Fund	<u>56,347</u>	<u>271,284</u>
Net Cash Used In Financing Activities	<u>56,347</u>	<u>271,284</u>
Net Increase / Decrease In Cash And Cash Equivalents	(1,444,374)	(2,024,136)
Cash & Cash Equivalents At The Beginning Of The Year	<u>1,653,662</u>	<u>3,677,798</u>
Cash And Cash Equivalents At The End Of The Year	<u><u>209,288</u></u>	<u><u>1,653,662</u></u>
Represented By:		
Cash & Bank Balances	209,288	1,653,662
Fixed Deposits		
	<u><u>209,288</u></u>	<u><u>1,653,662</u></u>

FAIR TRADING COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2003**

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.

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, 2003 was \$12,106,024.23.

**FAIR TRADING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH, 2003**

4. FIXED ASSETS:

Particulars	GOJ Motor Vehicles	USAID Furniture Fixtures & Equipment	GOJ Furniture Fixtures & Equipment	Total
Cost	\$	\$	\$	\$
Balance b/f 1/4/02	3,226,965	876,678	3,395,846	7,499,489
Additions: 2002/03 Adjustments:*			56,347	56,347
Balance b/d 31/3/03	3,226,965	876,678	3,452,193	7,555,836
Accumulated Depreciation				
Balance b/f 1/4/02	2,274,499	876,678	2,352,414	5,503,591
Depreciation Charge Adjustments	583,884		705,730	1,289,614
Balance b/d 31/3/03	2,858,383	876,678	3,058,144	6,793,205
Net Book Value 31/03/03	368,582	0	394,049	762,631
Net Book Value 31/03/02	952,466	0	1,043,432	1,995,898

5 CAPITAL FUND

(A) GOJ

\$

Balance at the beginning of the year	1,995,898
Funds Received during the year	56,347
* Less transfer to Income and Expenditure Account	(1,289,614)
Balance at 31 March 2002	<u>762,631</u>
	<u>762,631</u>

SCHEDULE OF EXPENSES
YEAR ENDED 31ST MARCH 2003

<u>Notes</u>	<u>2003</u>	<u>2002</u>
	\$	\$
Salaries & Other Staff Costs:		
Salaries	16,172,298	15,120,790
Salaries (Temp) & Wages	611,959	767,429
Clothing & Robing Allowances	47,460	875,018
Library Allowance	536,625	356,721
Meal Allowances	454,666	412,878
Overtime Allowances	260,740	195,149
Statutory Contributions	732,478	822,389
Health Plan	574,744	558,393
Pension Plan Contribution	680,222	616,953
Gratuity	2,475,439	2,854,941
	<u>22,546,631</u>	<u>22,580,661</u>
Travelling & Transportation:		
Motor Vehicle Allowances	1,271,374	1,102,519
Mileage Allowances		
Subsistence (Local)		
Cab Fare	49,700	53,625
Petrol & Oil	198,630	206,812
Repairs & Maintenance - Motor Vehicles	283,280	388,536
Air Fare	56,115	152,570
Subsistence (Foreign)	80,828	32,420
	<u>1,939,927</u>	<u>1,936,483</u>
Rental:		
Rental Of Building	2,803,207	3,078,498
Other Rental	61,961	57,840
	<u>2,865,168</u>	<u>3,136,338</u>
Utilities:		
Electricity	268,527	262,881
Telephone & Fax	447,468	395,295
	<u>715,995</u>	<u>658,175</u>

SCHEDULE OF EXPENSES
YEAR ENDED 31st MARCH 2003

	<u>2003</u>	<u>2002</u>
	\$	\$
Professional Services:		
Auditing Fees	3,000	3,000
Advertising & Public Relations	364,330	502,150
Consultancy	265,650	373,586
Consulting (Legal Fees)	17,200	24,911
Stipend (Commissioners)	<u>2,925,311</u>	<u>1,420,250</u>
	<u>3,575,491</u>	<u>2,323,897</u>
Office and General Expenses		
Drugs & First Aid	7,274	8,578
Text & Reference Books	20,700	12,589
Food & Drinks	<u>118,924</u>	<u>107,429</u>
	<u>146,898</u>	<u>128,597</u>
Miscellaneous Expenses		
Sanitation, Security Services, Donation, etc.	<u>1,208,913</u>	<u>912,898</u>
	<u>1,208,913</u>	<u>912,898</u>