



**FAIR TRADING COMMISSION**  
**ANNUAL REPORT**  
**FINANCIAL YEAR 2007/2008**

## **Commissioners of the Fair Trading Commission**

**Dr. Peter-John Gordon**, an Economist, was appointed Commissioner in January 1996 and Chairman from 2002 to 2007. He was reappointed as a Commissioner in February 2008. Lecturer at the University of the West Indies between 1982 to 1986 and 1993 to 1999, he served in the post of Director, Economic Planning and Research at the Planning Institute of Jamaica (PIOJ) between 2000 and March 2009. He also worked with the Jamaica National Export Corporation (JNEC) holding various positions, which include Trade Commissioner to CARICOM.

**Mr. Jasper Burnett, C.D.**, a Chartered Accountant, has been Commissioner since June 1998. A member of the Public Accountancy Board since 1977, he served as President of the Institute of Chartered Accountants of Jamaica (ICAJ) between 1977 and 1980. He was a Council Member of the ICAJ from 1974-82 and is Founder and First Editor of the ICAJ's Magazine 'CHARTER'.

**Ms. Donna Parchment, C.D.** is the leading alternative dispute resolution expert in the Commonwealth Caribbean. She has been the Chief Executive Officer of the Dispute Resolution Foundation in Jamaica since its inception in 1994. This was a Government of Jamaica/USAID initiative which is now the leading national NGO for conflict resolution, mediation, negotiations, peace programs, and community dialogue. She was appointed Commissioner in March 2002.

**Ms. Sanya Young** is an Attorney-at-Law at Myers, Fletcher & Gordon where she specialises in the areas of intellectual property, pensions, consumer and competition law. She is the Convener of the Intellectual Property Committee of the Jamaica Bar Association and a member of the Jamaica Bar Association's Social Affairs & Outreach Committee.

**Dr. Derrick McKoy** was appointed Chairman in February 2008. He served as a Commissioner from 1996 to 1998 and was Contractor-General of Jamaica from 1998 to 2005. He also serves as Chairman of the Jamaica Antidumping & Subsidies Commission. An attorney-at-law, Dr. McKoy has consulted in Jamaica and the broader Caribbean in the areas of competition law and policy, utilities regulations, and public sector reform.

**Mr. Robert Drummond** is Principal of GK Investments, GraceKennedy's portfolio of non-food businesses. In addition to developing, executing and integrating mergers, acquisitions and new business ventures, his role includes CEO responsibility for the company's mutual funds business, FG Funds Management (Cayman) Limited. He also serves as a member of the board for a number of GraceKennedy subsidiaries.

## **EXECUTIVE DIRECTOR'S REMARKS**

During the Financial Year the Commission reached an advanced stage in two Court matters relating to the entertainment industry, pursued under the misleading advertising provision of the Fair Competition Act (FCA). These matters are of significance to the manner in which events are organized and promoted; and in combating several recurring problems that have been brought to light over the past ten years. From every indication, it is likely that the Court will decide in the Commission's favour that the challenged conduct described in the two matters constitute a breach of the FCA.

The Staff continued its investigations into existing issues within various sectors of the economy, such as those relating to automobile, computers, education, electronic equipment, food and travel. Markets for electronic money transmission and cambio services, cable television service and energy were our main priorities and the results of our work will be released early in the 2008/2009 Financial Year.

A comprehensive study on the telecommunications sector was completed. Undertaken as a joint project with the Office of Utilities Regulation (OUR), the study assessed the impact of liberalization on the sector. Our analysis revealed, among other things, that competition is strongest in the retail mobile and outgoing international calls segments of the sector; that the international calls segment of the market has benefited significantly from the entry of new operators who have driven down the rates for international calls; and that consumers are generally satisfied with the choice of service providers and with the range of product offerings.

Public education activities involved the sensitization of the judiciary of the CARICOM region, academia, public policymakers and the business community. This was done through presentations and lectures as well as through one-to-one meetings. Again, our Shirley Playfair Lecture was well supported. Our guest lecturer, Dr. Michal Gal of the University of Haifa, Israel, presented a paper entitled "Enhancing Competition Law Enforcement Through Regional Trade Agreements (RTA).

Our fourth competition workshop for members of the Judiciary centered on the theme “Competition Issues in the Telecommunications Sector”; and our participants included not only members of the Jamaican judiciary, but also those of Barbados, Trinidad & Tobago and the Caribbean Court of Justice, as well as the Jamaican Telecommunications Appeals Tribunal.

For the first time, we created a series of episodes on competition law and policy that were aired on the radio programme “Under the Law”. The eight episodes highlighted some of the breaches of the FCA, and describe the manner in which matters are dealt with by the FTC. They were aired on two major radio stations over a one-month period.

Another important development during the year was the completion of our Case Selection Criteria to be used by the Staff in selecting and prioritizing matters to be investigated. Our experience in selecting and conducting investigations over the years as well as criteria used in other jurisdictions guided the creation of our criteria. The objective of the case selection criteria is to, as best as possible, ensure transparency, certainty and uniformity in the case selection process.

In addition to the investigations and public education programmes undertaken during the Financial Year, the Staff also managed three special projects funded by international agencies. All three projects were executed in accordance with the established timeline, and one was completed during the year. Research grant of CAD\$46,000 from the International Development Research Centre (IDRC), was used to facilitate our study of competition-related issues in the pharmaceutical sector. By the end of the Financial Year sixty-one percent of the funds earmarked for the three-year Inter-American Development Bank (IADB)/Government of Jamaica (GOJ) Project, were spent, and approximately eighty percent of the targets were achieved. Given the cost savings over the three years, the IADB recommended, and it was agreed, that the project period be extended to the 2008/2009 Financial Year to allow all targets to be achieved, as well as to facilitate additional activities.

Similar to the IADB/GOJ Project, the objective of the Private Sector Development Programme (PSDP) Project was to facilitate the strengthening of the technical capacity of

the Commission. This one-year Project extended from July 2007 to June 2008, and most of the planned activities were undertaken and completed. These included participation in overseas conferences and workshops, acquisition of office equipment and the publication of the 2007 edition of the Commission's annual magazine on competition issues.

*Barbara Lee*

**Barbara Lee (Mrs.)  
Executive Director  
May 12, 2008**

## **ROLE AND FUNCTION**

The FTC was established in 1993 to administer the Fair Competition Act (FCA), which provides for the maintenance and encouragement of competition in the conduct of trade, business and in the supply of services in Jamaica. It is recognized that competition leads to the efficient use of resources, and allows for the highest quality goods and services at competitive 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 outcomes.

The functions of the Commission are to:

- carry out on its own initiative or at the request of any person such investigations or inquiries in relation to the conduct of business as will enable it to determine whether any enterprise is engaging in business practices which contravene the Act;
- carry out investigations that may be requested by the Minister or that it may consider necessary or desirable in connection with competition matters;
- advise the Minister on such matters relating to the operation of the Act, as it thinks fit or as may be requested by the Minister.

The FCA authorizes the Commission to obtain such information as it considers necessary to carry out the functions listed above; and makes it a criminal offense for persons to fail to provide the Commission with information when requested to do so; or to obstruct an investigation by destroying evidence or by knowingly providing false or misleading information.

## **PRIORITY PROGRAMMES AND TARGETS**

For the Financial Year 2007/2008, the Commission set the following programmes as its main priorities:

- Increased focus on competition complaints and investigating misleading advertising as an offence against competition.
- Initiate legal action for those complaints for which out of court settlements are not forthcoming and conclude legal matters already before the Courts.
- 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 about products and services offered for sale, with a view to reducing breaches of the Act.
- Continue to collaborate with the Telecommunications Regulator, the Office of Utilities Regulation, to promote competition in the Telecommunications industry.
- Undertake industry studies where appropriate.
- Participate in, and organize appropriate forums for policy makers within the public sector, to strengthen their appreciation of competition issues in their decision and law making processes. Hold meetings with various associations, educational institutions, Government agencies and technical advisors within the public sector
- Spearhead competition advocacy through coordination of activities with the Consumer Affairs Commission, the Bureau of Standards of Jamaica, the Ministry of Education, the Jamaica Intellectual Property Office and other arms of Government
- Facilitate the sensitization of the judiciary on competition law assessments Collaborate with the Ministry of Foreign Affairs & Foreign Trade as it deals with competition issues in domestic, regional and global trade.



- Participate in the CARICOM efforts to implement chapter VIII of the revised Treaty of Chaguaramas, relating to the Rules of Competition; and to establish the Regional Competition Authority.

## **HIGHLIGHTS OF PERFORMANCE/ACHIEVEMENTS**

### **Cases Received and Investigated**

Over the period April 1, 2007 to March 31, 2008, a total of nine hundred and thirty-seven (937) cases were investigated by the Commission with three hundred and fifty-seven (357) being completed and closed. This compares with eight hundred and thirty-seven (837) cases investigated and two hundred and fifty-three (253) being completed in the equivalent period in the previous Financial Year.

A total of one hundred and sixteen (116) new cases were received during the Financial Year. Of that number, eighty-four (84) cases were classified as cases of 'Misleading Advertising' (MA). Similar to the previous years MA cases accounted for the majority of complaints received, comprising approximately seventy-two percent (72%) of the new cases received. Of the nine hundred and thirty-seven (937) cases investigated during the period, seven hundred and fifty-five (755) or 81% were classified as MA. The majority of MA cases were against used car dealers and providers of telecommunications services who use marketing promotions that fail to provide consumers with all material information.

Cases deemed 'Not covered by the FCA' (NA) and 'Offences against Competition' (OAC) formed the second highest category of complaints received, each accounting for approximately twelve percent (12%), compared with eighteen percent (18%) and eight percent (8%) respectively, in the previous period. This indicates that there has been an increase in the number of competition related complaints received by the Commission; and we feel that this is attributable to the efforts being made to educate the general public about competition offences.

Some of the major investigations are described below.

### **Out-of-Court Settlements & Other Agreements**

#### **FTC v. Jamil International**

In August 2002 an Informant visited the Respondent's premises where she saw a whirlpool bathtub displayed with a mixer and a flexible shower tube. Upon the Respondent's sales

representative's confirmation that the accessories would be sold with the bathtub at one price, the Informant made her payment. What was later delivered was the bathtub without the accessories; and when the Informant contacted the Respondent, she was told that she could obtain the accessories at a discounted price. On being contacted by the Staff, the Respondent explained that the accessories were on display only to show how they could work with the bathtub, not as a part of the package.

Having completed its investigations into the allegations the Staff concluded there was a supportable charge of misleading advertising. A suit, for breach of Section 37 of the FCA, was filed in the Supreme Court on May 3, 2006. Jamil subsequently approached the Staff, expressing a willingness to enter into a Consent Agreement, which was signed and the Respondent paid the FTC an amount of \$117,141.25 representing the Commission's costs.

## **Court Matters**

### **Bent/Speare Entertainment Limited**

In December 2006 the Commission received two complaints, both alleging that in that same month the Respondent scheduled a concert titled '*Welcome to Jamrock*' to be held on December 22, 2006 at the Constant Spring Football Field. The Respondent advertised that 'Advanced VIP' tickets were being sold for \$3,000 and VIP tickets would be sold at the gate for \$3,500. Both Informants alleged that, in fact Advanced VIP tickets were being sold for \$3,500.

Following an investigation the Staff concluded that the Respondent's conduct constituted a breach of Section 37 of the FCA, informed the Respondent of the breach, and directed that if it intended to continue its sale of Advanced VIP tickets, such tickets would have to be sold at the price advertised. The Respondent complied with the directive.

On February 7, 2007, the Commission filed suit for breach of Section 37 of the FCA in the Supreme Court. The Respondent approached the Staff with a view to entering into a Consent Agreement and on December 12, 2007. The matter was adjourned to allow the parties to finalize the Consent Agreement.

### **Errol Bailey trading as Foundation Music Showcase**

In January 2007, the Commission received thirty-five (35) complaints against Errol Bailey. The allegations are that during the month of December 2006, Mr. Bailey advertised through various print and electronic media that several artistes would perform at its scheduled concert called 'Foundation Music Showcase'. The performers named included several locally based artistes as well as the internationally acclaimed artiste, Peabo Bryson. The concert was to be held at the Constant Spring Golf Club in St. Andrew on January 6, 2007.

Having investigated the complaints, the Staff concluded that Mr. Bailey's failure to deliver the artistes at the scheduled event as advertised was likely to be a breach of the FCA. Suit was filed in the Court; and the case was heard on March 12, 2008. Judgement was reserved.

Of note is that these cases arose after we had made a concerted effort to educate event promoters and major event sponsors and other persons and organizations with related interests in order to combat recurring problems of the nature described in the two matters mentioned above. Our efforts included the hosting of a seminar, articles in the major newspapers and a press release which stated that thereafter the FTC would be prosecuting any person who it finds to be in breach of section 37 of the FCA.

### **Macro Investigations Carried Forward from 2006/07**

#### **Computers – Computer Malfunction**

Arising out of numerous complaints on the quality and durability of computers which are assembled in Jamaica, the FTC continued investigations to determine whether assemblers/resellers are using sub-standard parts. It was found that the damage to the computers was consistently being attributed to one or a combination of the following factors:

- power surge
- unstable power supply
- dust
- user error/misuse
- infestation by ants

- viruses and worms
- exposure to high temperatures.

The Department of Customs has supplied the FTC with data related to the importation of computers and computer parts for the years 2004 and 2005. Additionally, the Companies Office of Jamaica provided a list of all entities registered primarily as computer vendors. In January 2007, letters were sent to a select number of these entities requesting information on computers sold and repaired, for the period 2004 to 2006. It was intended that this information would be used in completing analysis of the issues raised in the complaints, following which the FTC would disseminate guidelines for the purchase of computers.

### **Education - Regulation of Overseas Tertiary Institutions in Jamaica**

This investigation continues and the FTC intends to formulate and submit recommendations to the various agencies involved in the regulation of such institutions. These recommendations will be based on the solutions which other countries have employed in an effort to ensure that entities operate on a level which is on par with both national and international standards.

### **Food - Accuracy of labels**

The FTC continued further investigations into this matter with the objective of preventing the dissemination of unsubstantiated or otherwise deceptive claims about food. The investigation involves a coordinated effort with the Bureau of Standards Jamaica (BSJ), the Scientific Research Council (SRC) and the Ministry of Health (MOH).

The Commission was concerned with the dangers which misleading representations on food labels pose for consumers generally and specifically for persons who rely on such claims to inform their daily nutritional intake. The following issues were targeted:

1. Absolute nutrient and health claims which might be false or misleading (e.g. “fat-free”);
2. Nutrient content claims for foods that contain high levels of nutrients which have health implications (e.g. cholesterol, trans-fat, saturated fat etc.)

3. Comparative nutrient content claims which do not make the basis for the comparison clear (e.g. “1/3 less sugar than...”, “healthier than...” etc.).
4. Claims that a particular ingredient has various health benefits, such as “calcium promotes healthy bones and teeth” when the food does not contain sufficient amounts of the nutrient in order to bring about the stated results or benefits.

The ultimate aim of this study is to facilitate the implementation of standards and regulations with regard to nutrition labeling and dietary health claims where there are none. With the implementation of such regulations and with the cooperation of the respective agencies, a standardized test can be formulated to provide a transparent, science-based system for verifying the accuracy of nutrient values and health claims on labels. The end result would be that consumers and health professionals alike can be confident that the nutrient information on labels is reliable and that it reflects the nutrient content of the product. The study should be completed by June 2008.

### **Travel - Airline Special Fares**

Under Section 40 of the Fair Competition Act (FCA), failure to supply a reasonable amount of a good or service represented for sale at a bargain price, amounts to a breach of the Act. The investigation is to determine whether airlines actually provide a reasonable number of seats when they offer special rates.

### **Travel - Information on Visa Requirements**

Previous research revealed that travel agents and airlines have no obligation to inform their customers about visa requirements of the countries to which they intend to travel.

In addition to letters sent to all travel agencies and airlines which operate or conduct business in Jamaica encouraging them to advise their customers of the need to verify visa requirements before travel, the FTC also made recommendations to the Ministry of Foreign Affairs and Foreign Trade (MFAFT) on the matter.

The airlines were also encouraged to include a statement and/or notice or other informational documents on their websites advising of possible visa requirements. The FTC met with the Jamaica Association of Travel Agents (JATA) and it provided its own

recommendations and suggestions of ways in which information can be made more accessible to the public. Those recommendations and suggestions will be submitted to the MFAFT for input.

**Travel - Lost/Damaged Luggage Policy**

The Commission is continuing an assessment of the policies of airlines operating in Jamaica with respect to compensation for lost or damaged luggage.

## **PUBLIC EDUCATION PROGRAMMES AND MEDIA CAMPAIGNS**

### **Shirley Playfair Lecture**

The eighth annual lecture in the Shirley Playfair Lecture Series was hosted on Thursday, September 20, 2007, at the Knutsford Court Hotel. On this occasion we were honoured by the presence of Dr. Michal Gal, Senior Lecturer, Director of the Law and MBA Program, and Co-Director of the Forum on Law and Markets at the Faculty of Law, University of Haifa, Israel.

Following an Address and Remarks from the Hon. Karl Samuda, Minister of Industry Investment & Commerce, Dr. Gal presented a paper entitled “Enhancing Competition Law Enforcement through Regional Trade Agreements”. She mapped the trend towards the creation of Regional Trade Agreements (RTA), highlighting the experiences of parties to agreements such as the European Free Trade Area (EFTA), North American Free Trade Area of the Americas (NAFTA), the Asia-Pacific Economic Cooperation (APEC), the Southern Common Market (MERCOSUR), and the Common Market for Eastern and Southern African (COMESA). Through her exploration of these various models Dr. Gal was able to draw attention to matters such as the level of commitment required from countries in enforcing their national Competition Laws and in coordinating joint investigative and other activities; and the trends of technical assistance that might be required to ensure that all relevant parties are able to create and maintain national Competition Agencies. The inescapable message was that regional integration brings with it the need for member states to adopt and implement an effective regional competition framework which would create a level playing field for all, in order that the gains from trade and investment integration may be realized.

This led directly into an examination of some of the competition enforcement issues that could arise in the context of the CARICOM Single Market & Economy (CSME). The jurisdiction and structure of the Caribbean Competition Commission which was launched in January 2008 received particular attention.



A spirited discussion followed the presentation, in which several persons had their issues comprehensively addressed by the presenter. Again, our audience included interest groups and stakeholder groupings such as the business community, the Jamaican Bar, the Judiciary, Government Ministries and Agencies, and academia. On this occasion entities that have not been represented over the years were duly represented. These entities include the Central Bank, the Jamaica Stock Exchange, the Registrar General's Department and the Jamaica Manufacturers Association.

The Jamaica Information Service assisted with the promotion of the event and that included appearances by Dr. Gal, the Senior Legal Counsel and the Competition Bureau Chief in the Gleaner's Chat Room as well as the Executive Director, in a number of radio and television interviews.

### **Workshop for Members of the Judiciary**

The Commission hosted its fourth Workshop for members of the Judiciary, on March 14<sup>th</sup> and 15<sup>th</sup>, 2008. The theme was Competition Issues in the Telecommunications Sector. Nineteen persons attended – eleven Jamaican Judges, including the Honourable Chief Justice Zaila McCalla, 2Barbadian Judges, one from Trinidad & Tobago, 3from the Caribbean Court of Justice, and 2 members of the local Telecommunications Appeals Tribunal. Six of the eleven members of the local judiciary had also participated in previous Workshops. The Workshop was considered by all participants to be very informative and beneficial; and all persons said that they would be interested in attending other similar Workshops. The event was hosted jointly with the Office of Utilities Regulation (OUR) and funding was provided by the OUR together with the IADB, under an ongoing FTC Project.

### **Other Public Education Activities**

The FTC continued to inform and educate the public on issues related to competition law and policy. During the Year the Commission met with various associations, companies and groups including the Private Sector Organization of Jamaica, the Rotary Club, the Dental Auxiliary School, the Stony Hill HEART Academy, the Norman Manley Law School,

private hospital administrators, the Montego Bay Chamber of Commerce, Red Stripe Limited, the Broadcasting Commission and the Bureau of Standards.

Presentations were also made to students of tertiary institutions such as the Associate Degree students of the Management Institute for National Development (MIND).

The Executive Director and the Competition Bureau Chief were interviewed on the Nationwide radio programme “At Your Service”. Callers into the programme were able to have their questions answered on spot. They were also interviewed by the JIS on March 3, 2008, and based on that interview the JIS published an article on its website on March 15, 2008. The article, entitled “FTC Continues its focus on Competition Advocacy”, looked at some of the channels used by the FTC in its advocacy and public education activities; how the FTC handles some of the competition related complaints it receives; and briefly described the need for policymakers to give due consideration to competition issues whenever policy decisions and/or laws are being contemplated.

Together with a writer and radio producer the Staff created eight (8) episodes of an educational radio programme, “Under the Law”. They were aired during the month of March on Power 106 FM and Kool 97 FM. Each episode was broadcast four times per day on both radio stations.

The December 2007 issue of the Commission’s annual magazine was published and circulated to both local and overseas interest groups.

## MARKET STUDIES

Some of the FTC's work during the Financial Year is as follows:

### **Telecommunications**

Pursuant to the Ministerial Directive issued to the FTC and the Office of Utilities Regulation (OUR) for both bodies to carry out a study of the telecommunications sector with a view to assessing the impact of liberalization on that sector, the Study was completed and submitted during the year. The analysis revealed that:

- The impact of the liberalization process differs across the various market segments, particularly with respect to their competitive dynamics.
- Competition is strongest in the retail mobile and outgoing international calls segments of the sector.
- Mobile operators have emerged as the incumbent's main competitors; they compete directly with the incumbent's mobile network and also provide some degree of inter-modal competition for its fixed network.
- The outgoing international calls segment has benefited significantly from the entry of new operators (many of them service-based) who have driven down the rates for international calls.
- Competition is much less intense in the fixed market segment. Cable and Wireless Jamaica Limited's ownership of the copper local loop gives it significant control over the provision of fixed access retail and wholesale services.
- The majority of consumers are satisfied with their suppliers and the range of their service offerings.

The Study also recommended that ex-ante access obligations (beyond the current interconnection requirements) be placed on dominant network operators. These obligations will provide access seekers with access to particular facilities on reasonable terms and conditions, and will ensure that all operators have an incentive to price their services in a manner which reflect the most efficient use of the underlying network. It was also found that the sector's contribution to economic growth has moved from J\$14.28b in 1999 to \$28.51b in 2004; and over 60% of consumers reported satisfaction with landline service.

In addition to participating in on-going consultations with the OUR on various telecommunications issues, the FTC also participated in meetings of the ICT Cabinet Subcommittee as well as the consultation process on the Telecommunications Policy 2007.

### **Energy**

The Commission participated in the “Dissemination of Information on the Energy Policy 2006”, where two Officers of the FTC were selected to be members of the Energy Policy resource panel which reviewed and commented on the first draft of the Green Paper. The Commission prepared a technical Tool Kit for consultation with players in the petroleum sector and we were members of the sensitization team which met with civil society in several meetings throughout the island, to hear person’s views on the new energy policy.

### **Other Industries**

Investigations into the markets for electronic money transmission and cambio services as well as the cable television sector are nearing completion. The results will be released early in the 2008/2009 Financial Year.

## **PARTICIPATION IN DEVELOPMENT OF TRADE POLICIES**

The FTC continued to participate in meetings of the Task Force on the implementation of Competition Law & Policy in CARICOM. The objectives of the Task Force included (a) reviewing the draft Model Law on Competition Policy; (b) visiting the CARICOM member states to meet with the public and private sectors in an effort to sensitize all stakeholders on Competition Policy in the CSME and the relevant provisions of the Revised Treaty of Chaguaramas; and (c) preparation for and the launch of the CARICOM Community Competition Commission, which took place on January 18, 2008.

The Commission made presentations to members of the private and public sectors of Trinidad & Tobago, Barbados, Guyana, Belize, Suriname and Jamaica. The Jamaica sensitization sessions were organized by the Commission and also included meetings with members of the Judiciary, the UWI community as well as members of the Montego Bay Chamber of Commerce and the Cornwall Bar.

In addition, the Commission participated in and or presented at international seminars or workshops hosted by the CARICOM Secretariat, International Competition Network (ICN), Organisation for Economic Co-operation and Development (OECD), the United Nations Conference on Trade & Development (UNCTAD), and the International Development Research Centre (IDRC).

## **LEGISLATION/REGULATIONS**

There have been no further developments in respect of the establishment of Regulations under Section 40 of the FCA; nor has the process of amending the FCA (Notices and Procedures) Regulations been advanced. Both of these pieces of work, together with enactment of regulations regarding the FTC's investigative and hearing procedures will be influenced by the structure that will be adopted.

During the period under review a draft Bill containing the relevant proposals for amending the FCA issued from the Office of the Chief Parliamentary Council (CPC); and was perused by the FTC. Comments were forwarded to the Ministry of Industry Investment & Commerce (MIIC) and further discussions are underway. The structure proposed by the MIIC provides for the establishment of a Competition Tribunal to hear Competition cases.

The launch of the CARICOM Community Competition Commission (CCC) has brought in sharp focus the urgent need to have incorporated into the FCA, provisions to facilitate the effective operation of the CCC. The Commission has forwarded to the MIIC proposals highlighting a range of provisions that may be considered. To the extent that these provisions are yet to be incorporated in the draft amendments to the FCA, Jamaica's state of readiness to give effect to the relevant requirement under the Revised Treaty of Chaguaramas regarding the enforceability of determinations of the CCC is yet to be realized.

## OTHER ISSUES

Following a shift in focus from seeking individual redress in consumer cases to identifying market implications of consumer related offences, during the 2006/2007 Financial Year, the FTC and the Consumer Affairs Commission (CAC) agreed that it would be necessary to have a Memorandum of Understanding (MOU) between both Agencies. It was perceived that the MOU would outline the limits of the relationship between the 2 Agencies with respect to the types of cases that each one would investigate. During the current Financial Year, the CAC indicated that upon further consideration of the May 31, 2005 Ministerial Directive, it would not pursue the MOU.

With increased focus on competition cases it became useful and necessary for us to develop clear criteria for selecting the cases that ought to be investigated. To this end the FTC developed and finalized its Case Selection Criteria which is designed in such a manner that it ensures transparency, certainty and uniformity in the case selection process.

The criteria include factors such as:

- whether the alleged conduct falls under the FCA;
- the seriousness of the conduct;
- obstacles that may be faced were we to proceed;
- the degree to which there are likely to be incentives for the Respondent to engage in the alleged conduct;
- the anti-competitive and/or the pro-competitive effects that may exist;
- whether the alleged conduct is widespread in the relevant industry;
- the jurisprudential value of pursuing the matter;
- whether the relevant evidence is obtainable by reliable and reasonable means; and
- the existence of local or foreign precedents for prosecuting the alleged conduct.

Whereas the Commission previously filed matters in the Civil Division of the Supreme Court, it has been filing in the recently established Commercial Division over the past year. This move has proven to be very effective as the time within which matters are set for

hearing, has been drastically reduced. On average, matters which previously took up to a year for a first hearing, now proceed to a first hearing within three to four months of being filed in the Supreme Court registry. For example, a matter filed on February 7, 2007 came up for hearing on May 8, 2007. The Department will continue to utilize the Commercial Division of the Supreme Court and it is expected that for the upcoming year this route will allow for matters to be disposed of much more quickly and effectively.

There is another apparent benefit to the use of the Commercial Division. The Court seems to assign particular judges with the apparent aim to allow for specialization in specific areas of commercial law. This has resulted in having the same judge who was appointed to a matter in 2004, being appointed this year to hear two Section 37 cases.



## **FUNDING FROM INTERNATIONAL AGENCIES**

### **International Development Research Centre (IDRC)**

In May 2006, the IDRC's research grant of CAD\$46,000 was issued to the FTC for the purpose of conducting research into competition-related issues in the pharmaceutical industry in Jamaica.

The research was completed in March 2007 and the main findings were, among other things, that only six out of every ten regular users of prescription medication have ever heard of the term 'generic medication' and half of that number indicated that they always follow their doctors' instruction when taking medication. The study provided insight into Jamaicans' lack of awareness of basic information as well as insight into their habits and attitudes towards generic and branded medication.

The study also establishes the potential impact these and other factors are having on the distribution of pharmaceuticals in Jamaica and makes recommendations for improving competitiveness in the pharmaceutical sector. The results have been disseminated to the relevant players, and extensive discussions are to ensue.

### **Inter-American Development Bank (IDB)**

The 2007/2008 Financial Year was the third year of a three (3) year IDB Project aimed at strengthening the technical capacity of the FTC and improving its outreach capabilities. The Project is funded through the IDB Multilateral Investment Fund (MIF) and counterpart contributions from the Government of Jamaica

Some of the project achievements and activities, facilitated through the Project during the year under review are:

- The Competition Law Consultant who was hired to provide specialized technical assistance, as well as 'classroom' and on-the-job training completed three (3) visits,

bringing the total number of visits to eight (8). He was contracted for (9) visits; the final one being scheduled for April 2008. Work on the Commission's operational manual for the investigation, analysis and enforcement of competition policy, is at an advanced stage.

- We hired a Network Specialist Consultant to provide assistance with competition cases relating to network industries such as telecommunications, electricity and transportation. The Consultant completed three (3) of five (5) visits; the last two being scheduled for the first half of the upcoming Financial Year.
- FTC participation in two (2) separate specialized international courses in Competition Law.
- In-house seminars were conducted, to allow other members of Staff to benefit from the information acquired; and copies of the literature from the Courses were placed in the Commission's Library for future use by the Staff.
- The Technical and support Staff benefitted from a five (5) day Course in "The Art of Public Speaking", the objective being to improve our communication skills, specifically in respect of making presentations, responding to the public in general and the media in particular.
- Acquisition of reference materials related to antitrust issues. The Project has assisted in the acquisition of a total of twenty-five (25) books on the relevant subject area and three (3) subscriptions to various law journals.
- Upgrade of the Commission's customized Database & Workflow Management Systems (CIMS) which houses the Commission's data and case information in an electronic format, and which guides the Staff through investigation processes by way of an automated workflow.
- The hosting of the eighth Shirley Playfair Lecture held in September 2007 and the workshop for members of the Judiciary, held in March 2008. In addition to members of the Jamaican Judiciary at both the Supreme Court and Appeals Court levels, the members of Jamaica's Telecommunications Appeals Tribunal as well as Judges from Barbados, Trinidad & Tobago and the Caribbean Court of Justice, also participated.
- Purchase and installation of presentation equipment and video conferencing facility.

- Upgrade of and improvements to our website.

The following table provides a breakdown of the amounts expended under the Project as well as the balance remaining as at March 31, 2008.

(US\$)

<b>Activities</b>	<b>MIF Contribution</b>	<b>Local Contribution</b>	<b>MIF Contribution</b>	<b>Local Contribution</b>
	<i>Expended to date</i>	<i>Expended to date</i>	<i>Balance not yet spent</i>	<i>Balance not yet spent</i>
Component I	143,715	51,829	85,285	17,471
Component II	31,755	6,521	8,245	9,479
Project Administration	0	29,756	0	15,244
Contingencies	4,678	1,766	322	3,234
<b>TOTALS</b>	<b>180,148</b>	<b>89,872</b>	<b>93,852</b>	<b>45,428</b>
<b>Portion</b>	<b>67%</b>	<b>33%</b>		

Of the unspent amounts commitments have been made for amounts of US\$72,102 and US\$32,331, in respect of MIF and Local Contribution respectively.

### **Private Sector Development Programme (PSDP)**

In May, the FTC entered into a Grant Contract with Jamaica Trade & Invest, for several activities aimed at strengthening the technical capacity of the Commission, to be undertaken over a one year period. This Project, valued at J\$7,273,825 is being funded by the European Union through the Private Sector Development Programme (PSDP) and the Government of Jamaica on a 75%:25% split.

Some of the activities that were undertaken and completed are:

- Attendance by two (2) Staff members and a Commissioner at three (3) separate Competition Law Conferences or Workshops.

- Acquisition of a multimedia projector, lap top computer, and a printer.
- Publication of the 2007 edition of *Competition Matters* and a brochure.

## BUDGETARY ALLOCATION

### Budgetary Allocation

The following table summarises the actual amounts expended by the Commission in each of the three (3) previous Financial Years. Also included is the Budgetary Request for the 2008/2009 Financial Year.

Object	2008/2009 Request (\$)	2007/2008 Actual (\$)	2006/2007 Actual (\$)	2005/2006 Actual (\$)
Compensation of Employees	47,969,114	45,326,100	35,569,405	34,470,691
Travel Expense & Subsistence	4,730,656	4,425,170	2,906,447	2,556,500
Rental Of Bldg., Machinery & Equip.	4,767,547	4,551,824	4,351,642	4,540,344
Public Utility Services	1,660,000	1,580,604	1,230,588	1,371,002
Purchase of other Goods & Services	2,306,468	1,895,133	3,465,437	3,665,158
Asset Purchases	100,000		249,381	298,676
<b>Total</b>	<b>61,533,785</b>	<b>57,778,831</b>	<b>47,772,900</b>	<b>46,902,371</b>

## **9.0 Summary of Main Programmes for the 2008/2009 Financial Year**

The Commission's goals for the upcoming fiscal year are:

- Increased Competition advocacy, specifically in the area of Merger Review; coordinating activities with other Government agencies, and informing them about the role of the FTC; and how that role intersects with theirs, and how public sector agencies can cooperate in monitoring the conduct of businesses in the economy;
- Improving its technical capacity especially in the area of network industries;
- Further sensitization of the Judiciary;
- Encouraging improvements in services provided to consumers by developing procedural guidelines for use in various sectors;
- Collaborating towards finalizing the amendments to the FCA;
- Educating manufacturers and distributors on how to identify the various offences against competition; and
- Collaborating with the Ministry of Foreign Affairs & Foreign Trade as it seeks to keep Jamaica's competition policy relevant, thereby contributing to the fine-tuning of Competition Law and Policy in CARICOM.

## **STRATEGIC FOCUS FOR THE MEDIUM TO LONG TERM**

### **Strategic Focus for the Medium to Long Term**

Strategic activities to be undertaken will include:

- Monitoring the market by keeping abreast of developments so that investigations can be initiated in the absence of complaints;
- Prosecuting breaches of the FCA;
- Undertaking industry studies as resources allow, to determine any competition issues;
- Participating in seminars, workshops and meetings with Government policymakers, various associations, the business community and educational institutions, with a view to achieving a wider level of understanding and appreciation of the FCA and the FTC;
- Facilitating the sensitization of both the local and regional Judiciary;
- Developing competencies in the investigation of cartel activities as well as network industries;
- Attending and participating in 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);
- Providing timely opinions to the Ministry of Foreign Affairs and Foreign Trade or various other ministries, on competition related issues;
- Developing cooperation with other competition agencies, in particular those within the CARICOM region.

## COMMISSIONERS' COMPENSATION

Position of Director	Fees (\$)	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle (\$)	Honoraria (\$)	All Other Compensation including Non- Cash Benefits as applicable (\$)	Total (\$)
Chairman – Peter-John Gordon (April to Sept.) & Commissioner (Feb. to March)	\$50,000 per month & \$27,500 per month as Commissioner				317,500
Commissioner Jasper Burnett	\$27,500 per month				220,000
Commissioner Donna Parchment (April to Sept.)	\$27,500 per month				123,750
Commissioner Sanya Young (May to Sept.)	\$27,500 per month				137,500
Chairman – Derrick McKoy (Feb. to March)	\$50,000 per month				100,000
Commissioner Robert Drummond (Feb. to March)	\$27,500 per month				55,000



## SENIOR EXECUTIVE COMPENSATION

Position of Senior Executive	Year	Salary (\$)	Gratuity or Performance Incentive (\$)	Travelling Allowance or Value of Assignment of Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Other Allowances (\$)	Non-Cash Benefits (\$)	Total (\$)
<b>Executive Director</b>	2007/2008	5,354,744	0	568,812	267,737			6,191,293
<b>General Manager</b>	2007/2008	4,342,619	0	568,812	217,131			5,128,562
<b>Senior Legal Counsel</b>	2007/2008	3,908,357	0	568,812	0			4,477,169
<b>Competition Bureau Chief</b>	2007/2008	4,125,488	0	568,812	0			4,694,300

### *Notes*

1. Where contractual obligations and allowances are stated in a foreign currency, the sum in that stated currency must be clearly provided and not the Jamaican equivalent.
2. Other Allowances (including laundry, entertainment, housing, utility, etc.)
3. Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate column above.

**FAIR TRADING COMMISSION**

**FINANCIAL STATEMENTS**

**MARCH 31, 2008**

# Fair Trading Commission

## Table of Contents

---

	<b>Page</b>
<b>Audit report</b>	
<b>Financial statements</b>	
Statement of financial position	<b>1</b>
Statement of financial performance	<b>2</b>
Statement of changes in equity	<b>3</b>
Statement of cash flows	<b>4</b>
Notes to the financial statements	<b>5-11</b>



AUDITOR GENERAL'S DEPARTMENT  
P.O. BOX 455  
KINGSTON 10  
JAMAICA  
Email: audgen5@cwjamaica.com

## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors of the  
Fair Trading Commission**

### **Report on the Financial Statements**

I have audited the accompanying Financial Statements of the Fair Trading Commission, set out on pages 1 to 11, which comprise the Balance Sheet as at March 31, 2008, Income and Expenditure Statement, Statement of Changes in Equity and Statement of Cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with generally accepted accounting principles. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

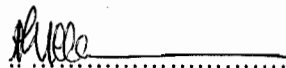
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## 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, 2008, and of its financial performance, and its cash flows for the year then ended in accordance with generally accepted accounting principles.

## Report on Additional Requirements of the Fair Competition Act

I have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit. In my opinion, proper accounting records have been maintained and the Financial Statements are in agreement therewith and give the information required in the manner so required.

  
.....  
Pamela Monroe Ellis (Mrs.)  
**Auditor General**

2010.04.106...  
Date

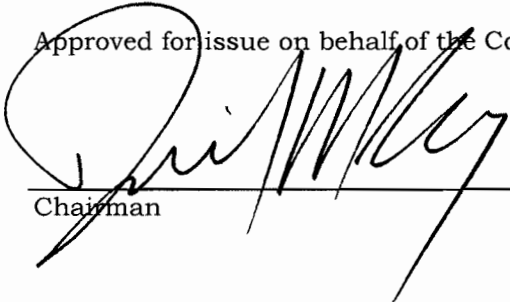
**Fair Trading Commission**

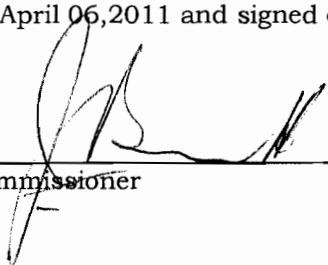
Statement of Financial Position

as at March 31, 2008

	Note	2008 \$	2007 \$
<b>Non-current assets</b>			
Property, plant and equipment	6	4,693,199	1,706,940
		<u>4,693,199</u>	<u>1,706,940</u>
<b>Current assets</b>			
Receivables	7	489,175	183,303
Prepayments		56,862	59,530
Cash and Cash Equivalents	8	248,141	2,984,297
		<u>794,178</u>	<u>3,227,130</u>
<b>Total Assets</b>		<u>5,487,377</u>	<u>4,934,070</u>
<b>Current Liabilities</b>			
Provision for employee benefits	10	2,241,384	-
Accounts Payable	9	6,649,949	1,588,901
FTC bank Balance		2,070,313	
		<u>10,961,646</u>	<u>1,588,901</u>
Net Assets		<u>(5,474,269)</u>	<u>3,345,169</u>
<b>Equity</b>			
Capital Fund		4,693,199	1,706,940
General Reserve		(10,167,468)	1,638,229
		<u>(5,474,269)</u>	<u>3,345,169</u>

Approved for issue on behalf of the Commission on April 06, 2011 and signed on its behalf by:


  
 \_\_\_\_\_  
 Chairman


  
 \_\_\_\_\_  
 Commissioner

**Fair Trading Commission**  
**Statement of Financial Performance**  
**for the year ended March 31, 2008**

<b>Revenue</b>	<b>Note</b>	<b>2008</b> <b>\$</b>	<b>2007</b> <b>\$</b>
PSDP Project		1,571,507	-
IDRC Grant		622,467	2,358,388
IDB/GOV Grant		1,484,120	3,300,000
IDB Grant		6,978,580	3,452,498
Subvention		49,293,109	53,473,290
Other Income		-	42,906
Interest Income CD & Bank		33,285	142,308
Exchange Rate Gains		2,648	145,086
Transfer from GOJ Capital Grant		1,460,469	1,289,588
Appropriation in Aid Fund		117,141	-
<b>Total Operating Revenue</b>		<u>61,563,326</u>	<u>64,204,064</u>
<b>Operating expenses</b>			
Compensation of Employees	10	47,081,751	42,234,650
Travelling & Transportation	11	5,025,826	4,710,060
Premises Related Expenses	12	4,507,279	4,235,656
Public Utilities	13	1,376,300	1,292,968
Goods and Services	14	3,089,150	3,036,512
Depreciation		1,460,469	1,289,588
Bank Charges	16	164,084	96,036
Grant Expenditure	15	10,634,164	9,045,900
Appropriation in Aid Expense		30,000	-
<b>Total Operating Expenses</b>		<u>73,369,023</u>	<u>65,941,370</u>
<b>Surplus/(Deficit) from operating activities</b>		<u>(11,805,697)</u>	<u>(1,737,306)</u>

## Fair Trading Commission

Statement of Changes in Equity  
for the year ended March 31, 2008

	<b>GOJ Capital Fund</b>	<b>General Reserve</b>	<b>Total</b>
	\$	\$	\$
<b>Balance as at April 1, 2006</b>	2,319,755	3,375,535	5,695,290
Movement in the year	680,261	(1,737,306)	(1,057,045)
Transfer to Income	(1,289,588)	-	(1,289,588)
Disposal of Assets	(127,839)	-	(127,839)
Accumulated Depreciation on Disposal	124,351	-	124,351
<b>Balance as at March 31, 2007</b>	<u>1,706,940</u>	<u>1,638,229</u>	<u>3,345,169</u>
<b>Balance as at April 1, 2007</b>	1,706,940	1,638,229	3,345,169
Movement in the year	4,446,727	(11,805,697)	(7,358,970)
Transfer to Income	(1,460,468)	-	(1,460,468)
Disposal of Assets	3,600	-	3,600
Accumulated Depreciation on Disposal	(3,600)	-	(3,600)
<b>Balance as at March 31, 2008</b>	<u>4,693,199</u>	<u>(10,167,468)</u>	<u>(5,474,269)</u>



# Fair Trading Commission

## Statement of Cash Flows

for the year ended March 31, 2008

	Note	2008 \$	2007 \$
<b>Cash flows from operating activities</b>			
Surplus/(Deficit) for the year		(11,805,697)	(1,737,306)
<b>Adjustments:</b>			
Depreciation		1,460,469	1,289,588
Increase in Current Assets		(303,204)	(13,568)
Increase in Current Liabilities		9,372,745	(18,593)
Transfer from Capital Fund		(1,460,469)	(1,289,588)
Net cash provided by operating activities		<u>(2,736,156)</u>	<u>(1,769,467)</u>
<b>Cash flows from investing activities</b>			
Investments		907,978	632,284
Capital expenditure		(4,446,728)	(680,261)
Net cash used in investing activities		<u>(3,538,750)</u>	<u>(47,977)</u>
<b>Cash flows from financing activities</b>			
GOJ-Capital Fund		4,446,728	680,261
Net cash flows from financing activities		<u>4,446,728</u>	<u>680,261</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		<u>(1,828,178)</u>	<u>(1,137,183)</u>
Cash and cash equivalents at beginning of year		<u>2,076,319</u>	<u>3,213,502</u>
<b>Cash and cash equivalents at end of year</b>		<u><u>248,141</u></u>	<u><u>2,076,319</u></u>

## **1 . IDENTIFICATION**

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

## **2. REPORTING CURRENCY**

These financial statements are expressed in Jamaica dollars.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied for the year presented.

### **(a) Statement of Compliance**

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) which are based on International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRS) issued by the International Public Sector Accounting Standards Board (IPSASB) and International Accounting Standards Board (IASB) respectively, interpretations issued by International Financial Reporting Standards Interpretation Committee of the IASB and recommendations by the Institute of Chartered Accountants of Jamaica.

These statements have been prepared under the historical cost convention.

### **(b) Depreciation of Property, Plant & Equipment**

Property, Plant and Equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated on the straight-line basis at annual rates estimated to write off the carrying value of the assets over the period of their estimated useful lives. Annual rates are as follows:

Motor Vehicle	25%
Furniture & Fixtures	10%
Computer Equipment	10%

Property, Plant and Equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

### **(c) Cash and Cash Equivalents**

Cash and Cash Equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

### **(d) Capital Fund**

This fund represents capital grants received and is written off on a straight line basis over the life of the asset.

(e) **Employee Benefits**

A provision is made for the estimated liability for untaken annual vacation leave due as a result of services rendered by employees up to the balance sheet date.

(f) **Revenue Recognition**

Revenue represents subvention received from the Government of Jamaica and grants received from various multi-national funding agencies.

Interest income is recognised in the income statement for all interest bearing instruments on an accrual basis unless collectibility is doubtful.

(g) **Taxation**

No provision has been made for taxation as the Commission is tax exempt under Section 12(h) of the Income Tax Act of Jamaica.

(h) **Grants**

The Commission received funding from various agencies for specific projects. The International Development Research Centre (IDRC) in May 2006 provided CAD\$42,200 to identify anti-competitive threats in the pharmaceutical supply chain & promote competitive distribution of pharmaceutical products in Jamaica. The Inter-American Development Bank (IDB) in March 2005 provided US\$439,300 (US\$304,000 from overseas and US\$135,300 from local contribution) to strengthen the FTC. Jamaica Promotions Corporation (JAMPRO) provided approximately \$JM7.3M in May 2007; the purpose being the implementation of the action entitled "Capacity Building".

**4. PENSION SCHEME**

The Commission 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, 2008 was approximately \$JM37.1M.

**5. FINANCIAL AND CAPITAL RISK MANAGEMENT**

(a) Financial risk factor-

The Commission's activities expose it to a variety of financial risks: market risks (including currency risk and price risk); credit risk, liquidity risk, interest rate risk and operational risk. The Commission's overall risk management policies are established to identify and analyse the risk exposure and to set appropriate risk limits and controls to monitor risk and adherence to limits. The risk management framework is based on guidelines set by the Board of Directors together with management and seeks to minimize potential adverse effects on the Commission's financial performance.

(i) Price Risk

Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices. The Commission mitigates against this risk by assigning a mark up of 10% for inflation in the budget. However when there is a reduction in the budget the Commission institutes measures to deal with the shortfall.

(ii) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Commission manages its foreign exchange risk by holding foreign currency bank accounts in reputable financial institutions.

(iii) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Commission has no significant interest bearing assets or liabilities. Income and operating cash flows are substantially independent of changes in market interest rates. The Commission's interest rate risk arises from deposits.

(iv) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Commission has limited concentrations of credit risk. This risk is managed through adherence to staff loan and advance policies as well as maintaining good relationships with suppliers.

(v) Liquidity Risk

Liquidity risk is the risk that an organization will encounter difficulty in raising funds to meet its commitments associated with financial instruments. The Commission manages this risk by keeping committed credit lines available.

(vi) Capital Risk

Capital risk is the risk that the Commission fails to comply with mandated regulatory requirements resulting in breach of those requirements. The Commission's objectives when managing capital are to comply with capital requirements, safeguard the Commission's ability to continue as a going concern and maintain a strong capital base to support the development of its business.

(vii) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Commission's processes, personnel, technology and other external factors, other than financial risks. The Commission manages operational risk to avoid financial loss and damage to its reputation by adhering to good corporate governance practices.

**Fair Trading Commission**  
**Notes to the Financial Statements**  
**for the year ended March 31, 2008**

**6. Fixed Assets Comprise**

	GOJ Motor Vehicles \$	USAID furniture, Fixtures & Equipment \$	GOJ Furniture, Fixtures & Equipment \$	Total \$
At Cost or Valuation				
April 1 2007	1,640,861	876,678	5,637,580	8,155,119
Additions	-	-	4,446,728	4,446,728
Disposals	-	-	3,600	3,600
<b>Closing Balance</b>	<b>1,640,861</b>	<b>876,678</b>	<b>10,080,708</b>	<b>12,598,247</b>
Depreciation				
April 1 2007	793,083	876,678	4,778,418	6,448,179
Disposals	-	-	3,600	3,600
Charge for year	328,172	-	1,132,297	1,460,469
<b>Closing Balance</b>	<b>1,121,255</b>	<b>876,678</b>	<b>5,907,115</b>	<b>7,905,048</b>
<b>Net Book Value</b>				
31st March 2008	<b>519,606</b>	-	<b>4,173,593</b>	<b>4,693,199</b>
31st March 2007	<b>847,778</b>	-	<b>859,162</b>	<b>1,706,940</b>

	2008 \$	2007 \$
<b>7. Receivables</b>		
Innovative Corporate Solution	23,898	23,898
GCT Refund	155,012	122,224
Overpayment-Knutsford Court Hotel	6,680	6,680
Overpayment-Gleaner Co	43,836	-
Salary Advance	15,000	30,500
IDRC Receivable	244,749	-
	<u>489,175</u>	<u>183,302</u>

	2008 \$	2007 \$
<b>8. Cash and Cash Equivalent</b>		
RBTT Bank-IDRC Foreign A/C	16,805	6,518
RBTT Bank-IDB Foreign A/C	225,336	1,553,627
Fixed Deposit	-	907,978
RBTT Bank-Current A/C	-	516,174
Petty Cash	6,000	-
	<u>248,141</u>	<u>2,984,297</u>

**Fair Trading Commission**  
**Notes to the Financial Statements**  
**for the year ended March 31, 2008**

	<b>2008</b>	<b>2007</b>
	\$	\$
<b>9. Accounts Payable</b>		
Statutory Deductions	2,325,598	702,304
Auditing Fees	3,000	-
Pension Deductions	880,851	-
Electricity	251,719	158,577
Rental of office Space	835,532	236,460
Vacation Leave Pay	479,083	-
Others	1,874,166	491,560
	-	-
	<u>6,649,949</u>	<u>1,588,901</u>

	<b>2008</b>	<b>2007</b>
	\$	\$
<b>10. Salaries and Other Staff Costs</b>		
Salaries	36,944,512	35,209,627
Salaries (Temp) & Wages	840,429	1,995,418
Accrued Vacation Leave	2,241,384	-
Clothing & Robing Allowance	42,750	44,460
Meal Allowances	401,016	484,450
Overtime Allowances	315,301	314,429
Contribution -Paid by FTC	1,393,376	1,377,323
Health Plan	1,141,893	1,462,992
Pension Plan Contribution	978,753	1,345,950
Gratuity	2,482,087	-
Outsourced Employment	300,250	-
	<u>47,081,751</u>	<u>42,234,649</u>

	<b>2008</b>	<b>2007</b>
	\$	\$
<b>11. Travelling and Transportation</b>		
Motor Vehicle Allowances	4,366,481	3,720,873
Cab Fare	4,400	8,800
Petrol & Oil	201,549	226,196
Repair to Maintenance-Motor Vehicles	168,300	106,294
Air Fare	261,100	205,087
Subsistence (Foreign)	23,997	442,810
	<u>5,025,827</u>	<u>4,710,060</u>

	<b>2008</b>	<b>2007</b>
	\$	\$
<b>12. Premises related expenditure</b>		
Rental of Building	4,429,279	4,178,656
Other Rental	78,000	57,000
	<u>4,507,279</u>	<u>4,235,656</u>

**Fair Trading Commission**  
**Notes to the Financial Statements**  
**for the year ended March 31, 2008**

<b>13. Utilities</b>	<b>2008</b>	<b>2007</b>
	\$	\$
Electricity	666,898	617,311
Telephone & Fax	709,402	675,113
	<b>1,376,300</b>	<b>1,292,424</b>

<b>14. Goods and Services</b>	<b>2008</b>	<b>2007</b>
	\$	\$
<i>Professional Services</i>		
Auditing Fees	3,000	3,000
Advertising & Public Relation	333,167	54,889
Consultancy	77,772	279,150
Consulting (Legal Fees)	292,487	99,500
Stipend (Commissioners)	953,750	1,260,000
	<b>1,660,176</b>	<b>1,696,539</b>

<i>Office &amp; General Expenses</i>		
Drugs & First Aid	11,579	8,183
Text & Reference Books	2,090	15,865
Food & Drink	140,251	164,911
Printing and Stationery	468,848	426,115
Postal & Cable	60,145	69,239
Subscriptions	61,761	59,295
Repairs & Maintenance	94,455	155,993
Computer Software Expenses	72,657	11,191
Official Entertainment	-	-
Loss on Disposal	-	3,488
Sundry Suspense	(167,510)	(49,430)
Staff Welfare	271,114	177,318
Insurance	122,954	130,578
Sundry expenses	12,246	31,317
Foreign Exchange loss	156,045	6,068
	<b>1,306,635</b>	<b>1,210,131</b>

<i>Miscellaneous Expenses</i>		
Sanitation, Security Srevices, Donation €	122,339	133,330
	<b>3,089,150</b>	<b>3,040,000</b>

<b>15. Project Expenditure</b>	<b>2008</b>	<b>2007</b>
	\$	\$
IDB Project GOV. Contribution	2,023,095	3,289,995
IDB Component (1)	5,791,831	2,885,632
IDB Component (2)	963,379	1,071,103
IDRC Component (1)	126,803	1,066,156
IDRC Component (2)	117,946	733,013
JAMPRO Component (1)	939,947	-
JAMPRO Component (2)	155,168	-
JAMPRO Component (3)	515,994	-
	<b>10,634,163</b>	<b>9,045,899</b>

**Fair Trading Commission**  
Notes to the Financial Statements  
for the year ended March 31, 2008

---

<b>16. Bank Charges</b>	<b>2008</b>	<b>2007</b>
	\$	\$
IDB Account	66,809	12,979
USD Account	1,837	9,533
RBTT Account	95,438	73,524
	<u><b>164,084</b></u>	<u><b>96,036</b></u>