# JAMAICA'S PEER REVIEW EXPERIENCE The 2005 Process<sup>1</sup>



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#### INTRODUCTION

There is general acceptance by governments and policymakers that competitive markets are important to economic growth and sustainable development. The role of competition agencies in the effective enforcement of competition law is therefore critical to the development agenda.

In the large majority of cases, competition agencies are funded directly from national budgets; and in a substantial number of those cases, that funding is insufficient for the proper and effective functioning of the agencies. The Fair Trading Commission (FTC), Jamaica's competition agency could be considered under-staffed and under-funded given the volume and complexity of the work that needs to be undertaken for the country to benefit from competitive markets.

The proper legislative framework that clearly and unambiguously set out the rules relating to market activities is an absolute essential tool to deriving the benefits of competition. Several significant weaknesses in our legislation, the Fair Competition Act (FCA), have been recognized by the FTC.

<sup>&</sup>lt;sup>1</sup> This paper is prepared for the Evaluation of UNCTAD Voluntary Peer Reviews of Competition Law and Policy at the 6<sup>th</sup> UN Review Conference to be held November 8 − 12, 2010, in Geneva, Switzerland.

Given our recognition that we are not at the ideal position to carry out our mandate effectively; and given the value that a critical and independent process can deliver, we accepted the offer to undergo a voluntary peer review,

#### WHAT THE FTC HOPED TO ACHIEVE FROM THE REVIEW

The FTC anticipated that arising out of the review and the resultant report:

- 1) the policy makers will be pushed to the realization that effective competition enforcement cannot materialize by happenstance:
  - (i) that the legal framework needs to be sound;
  - (ii) that the agency requires a budget commensurate with the breadth of its mandate;
  - (iii) that continuous Staff training is an absolute necessity, especially in light of the broad spectrum of sectors which must be examined;
  - (iv) that failure to properly empower the agency undermines its credibility in the market;
  - (v) that they themselves need to guard against taking actions that undermine competition.
- 2) the various stakeholders will begin to better understand and appreciate their own peculiar roles within a market economy; the role of competition and the need for cooperation among us all.
- 3) where possible the FTC will be provided with the technical and other types of assistance required to help it implement the relevant recommendations and "best practices", to the benefit of the country and the region.

#### THE REVIEW

It is to be acknowledged within the context of developing countries and young competition agencies that we are hardly equipped with the tools and the experience necessary to lend

meaning to a peer review process. Thus, the work of the United Nations Conference on Trade and Development (UNCTAD) in this area is of major importance in lending technical expertise and guidance to developing countries such as us. In conjunction with its publication of draft model laws and documents conveying Best Practices in various aspects of competition enforcement, UNCTAD is playing a significant role in enhancing the capacity of agencies in developing countries, to be effective.

The main factors that Jamaica's peer review took into account were:

- the efficacy of the legal framework;
- the political independence of the agency;
- the technical capacity of the Staff;
- the clarity and transparency of procedures;
- level of support from the Government; and
- support of other stakeholders.

The review was conducted over an eight (8) day period - May 24 to June 2, 2005. The team comprised an officer from UNCTAD's offices and a consultant identified and provided by UNCTAD. Given the fact of Jamaica being a Commonwealth country, it was gratifying for us that the assigned consultant had had many years of experience working in the Canadian Competition Bureau, another commonwealth country. Indeed, the FCA draws in more than a small way, on the provisions of that country's Competition Act. Interestingly however, Canada has amended a number of these provisions, for reasons with which the consultant was/is more than familiar. This gave him superior and unique insight, which he brought to bear on his examination of the effectiveness of the FCA.

#### **PRE REVIEW PREPARATIONS**

As the FTC was not provided with any indication as to the questions which entities and individuals outside of the Commission would have been required to answer, it was unable to prepare those entities and individuals about the type and nature of issues that the consultant may enquire about. In a society such as ours, in which there was still no culture of competition, ignorance as to

what the issues might be prevails. Persons were therefore fearful, or at the very least, apprehensive about their ability to field any questions that they might have been asked. Much energy had to be expended on persuading persons to co-operate.

It is also to be noted that the suggested list of entities to be interviewed, as provided by the review team, was quite limited. The list began to grow during the process; and at the same time, getting persons to make themselves available proved challenging. In this regard, more time should have been spent on discussions between us and the reviewing team, in identifying a fulsome list of stakeholders to be interviewed, before the start of the process.

Another challenge was producing the documents and records for the review team when they arrived. We had not been provided with a list of documents ahead of the visit, and we believe that this aspect of the process would have gone smoother if such a list was provided beforehand. The reality of a small agency is that there are not many hands available to undertake activities which fall outside of the daily operations.

#### THE REVIEW

Save for the concerns highlighted above, the process went relatively well. The team was understanding of whatever physical limitations were evident; and it was never over-bearing or unreasonable in its demands/requests. The person conducting the review related well to the FTC personnel as well as to the challenges faced in enforcing the legislation effectively, and in building a competition culture. It interviewed, in addition to the Commissioners and Staff of the FTC, representatives of several institutions, such as:

- Regulatory agencies—Broadcasting Commission, Office of Utilities Regulation, Anti-Dumping & Subsidies Commission, Consumer Affairs Commission, Jamaica Intellectual Property Office and Financial Services Commission.
- Ministries—Ministry of Commerce, Science & Technology, which is the Ministry to which the FTC reports, and Ministry of Foreign Affairs and Foreign Trade
- Tertiary educational institutions—Social Sciences Department of the University of the West
   Indies, Norman Manley Law School, Institute of Law and Economics

- Associations—Jamaica Chamber of Commerce, Private Sector Organizations of Jamaica and Jamaican Bar Association
- Private sector enterprise—Mossel Jamaica Limited, a new entrant into the telecommunications market
- Others—United Nations Development Programme and Citizens Advice Bureau

#### **IMPLEMENTATION OF RECOMMENDATIONS**

The decision to implement recommendations lies with policymakers and their understanding of the true meaning and/or implications of the recommendations. Given the slow growth of our competition culture therefore, from the outset, there was always concern about whether the team's recommendations would be accepted, and if so, the form in which they would be put into effect. There were recommendations which the agency readily accepted but which its resources did not allow it to implement; and there also were recommendations which were accepted at the agency level, but not at the policy level.

Attached, as Appendix 1, is a table that describes the recommendations that were made, the respective status of each recommendation, and whether or not, and the extent to which they were implemented.

#### **CONCLUSION**

It is clear to us that hearing the views and suggestions offered by the review panel was of immense benefit to us. The discussion which incorporated the views of other agencies, many of which had experienced several of the challenges that we have been facing, was a far reaching experience which to this day, has served to assist in our growth. While there can be no doubt that a review process can be a powerful tool for enhancing the enforcement capabilities of a competition agency, it must also be recognized that the process must be carefully handled if the maximum benefits are to be realized. Each country's policy objectives and cultural realities must be duly considered. That being said, in our situation several weaknesses in our operations and legislative framework were exposed and at the same time, new and challenging 'untapped' areas and territories were highlighted. These areas and territories provided us with the opportunity to strengthen our technical capacity and to make a meaningful contribution to our economy in

several respects even in the face of a limited budget. The FTC is happy to have been afforded the opportunity to be reviewed; and is much the better for the experience.

# Appendix 1

# **UNCTAD Peer Review of Jamaica Fair Trading Commission (2005)**

# **Status of Recommendations as at September 2010**

OBSERVATIONS	RECOMMENDATIONS	STATUS
Policy Goals		
1 The FCA does not state its intended purposes.	Consider amending the FCA to add a purpose clause specifying clearly that its objectives are to protect and promote competition in order to enhance economic efficiency and consumer welfare.	While we agree that the Law should state its purpose, our policy makers did not considered it to be sufficiently compelling, given the fact that the Mission Statement expresses the FTC's mandate: "To provide for the maintenance and encouragement of competitionwith a view to providing consumers with competitive prices and product choices".
		The FTC's slogan "Ensuring a competitive market place" is also well established.
2 There remains a high degree of scepticism about the actual effectiveness of competition law and whether the goals are attained.	<ul> <li>The government should make every effort to make clear messages to the population especially when it deviates from the general policy of promoting competition.</li> <li>It would be desirable that the government, and the FTC in particular, conduct on an ongoing basis studies on the actual impact of competition policy and law enforcement, trade liberalisation and the adoption of a market-based economy, with a view to educating the public.</li> </ul>	<ul> <li>The FTC has conducted studies on the impact of competition law and policy on the several sectors including the cement market, distributive trade for basic food items, aspects of the pharmaceutical, tourism, gaming and banking sectors, collection and disposal of solid waste, the distribution of milk, provision of veterinary services. Said studies/reports have been submitted to relevant Government policymakers and publicized, where appropriate.</li> <li>Several studies have been done in collaboration with the Office of Utilities (OUR) regarding liberalization in the telecommunications sector and the impact of competition on that sector. The results</li> </ul>

		a revised telecommunications policy for Jamaica. Similar work has been done with respect to Jamaica's energy policy.
Competition Policy in Reform		
<b>3.</b> A Court of Appeal judgment found that the FTC does not meet the requirements of natural justice as it has both investigative and adjudicative powers.	Consider amending, as promptly as possible, the FCA to ensure it complies with the principles of natural justice and the standards outlined in the Appeal Court judgment in the JSE case.	Amendments to the FCA to among other things, comply with the Court's ruling in the Jamaica Stock Exchange (JSE) case are at an advanced stage. A draft Bill has been reviewed by the FTC and the Attorney General's Office is now finalizing its comments. The structure of the Commission is being changed to establish a separate Tribunal to hear matters.
Scope of Application		
4. The present definition of "goods" is too restrictive and does not include real property, money, securities or choses in action.	Consider amending the FCA to define "goods" as  " real and personal property of every description including  (a) money,  (b) deeds and instruments relating to or evidencing the title or right to property or an interest, immediate, contingent or otherwise, in a corporation or in any assets of a corporation,  (c) deeds and instruments giving a right to recover or receive property,  (d) tickets or like evidence of right to be in attendance at a particular place at a particular time or times or of a right to transportation, and  (e) energy, however generated.	The recommendations of UNCTAD have been adopted; and are included in the aforementioned draft Bill.
<b>5.</b> Section 3 provides an exemption for intellectual property which is unclear and too broad.	Consider amending section 3 of the FCA to revise and clarify the exemption for intellectual property.	The blanket exemption of intellectual property has been removed. The exemption is being made subject to Abuse of Dominance considerations.

<b>6</b> Under section 3, the Minister can exempt a business or an activity from the application of the FCA.	Consider amending the FCA to provide guidance as to what factors the Minister should consider in granting exemptions and the process he should follow to arrive at his decision.	The recommendation for the Minister to consult with the FTC before declaring activities and entities exempt, was not accepted as an amendment to the FCA. In practice, the Minister considers the FTC's views in decisions that have competition implications. No exemption has been granted since 2001, and that exemption was revoked in 2010 upon the FTC's recommendation.
<b>7.</b> The jurisprudence establishing the regulated conduct defence in Jamaica is limited and does not fully address the scope for application of the doctrine under the FCA.	The FTC should issue guidelines indicating the circumstances under which a conduct would be considered "regulated" and therefore exempt from the FCA.	<ul> <li>This matter is being dealt with at the policy level and discussions have been taking place with a view to developing guidelines.</li> </ul>
Substantive Provisions of the FCA		
8. The FCA does not contain any provisions dealing with mergers and acquisitions. There are three essential elements of competition law: merger provisions, conspiracy provisions and abuse of dominance provisions.	In addition to our recommendation that the FTC conduct studies on the need for merger legislation, the government should initiate as promptly as possible a consultation process on merger review and enact merger law as soon as possible thereafter.	<ul> <li>The FTC has conducted studies on the need for merger legislation; has held discussions and fora on the subject matter; and has made recommendations to the portfolio Minister for a policy decision to be taken in order that a consultation process can commence. No decision has yet been taken by the Minister with portfolio responsibility.</li> <li>The FTC has been participating in a regional working group aimed at including laws relating to Mergers &amp; Acquisitions in CARICOM.</li> </ul>
9. There is no jurisprudence on the abuse of dominant positions provisions.	In summary, the abuse of dominance provisions are being used as much as feasible given the circumstances. But in the absence of jurisprudence, there is a need for the FTC to provide more guidance on abuses of a dominant position. In particular, it should accompany its Consent Agreements with substantial explanatory material.	The FTC has established some guidelines for Abuse of Dominance.

<b>10.</b> The FCA contains specific provisions for tied sale (a <i>per</i> se prohibition), market restrictions and exclusive dealings. The general abuse of dominance provisions have application to these practices as well, creating confusion.	Where a practice is subject to more than one provision, the FTC should provide guidance on which provision it will use to deal with the practice.	<ul> <li>The aforementioned draft Bill includes the correction to the treatment of tied selling. It will be treated as rule of reason only, and not per se.</li> <li>Until the amendments are finalized, guidelines are being used.</li> </ul>
<b>11.</b> Section 36 prohibits <i>per se</i> bid rigging and does not allow for joint bids preventing small firms from participating on large projects.	The FCA should be amended to allow for joint bids as long as the bidders inform the tender calling authority in advance, or at the time, of submitting a joint bid.	Joint bids have been provided for in the draft Bill.
12. The duplications and contradictions in the various provisions dealing with agreements make the law unclear.	<ul> <li>The government should consider amending the legislation to clarify and simplify the law on agreements.</li> <li>In doing so, it should seriously consider adopting a per se approach for naked price fixing and market sharing agreements.</li> <li>Alternatively, the FTC should issue clear guidelines where there is duplication or contradictions in the law, as to the circumstances in which it will apply a specific provision.</li> </ul>	<ul> <li>Section 17 of the FCA which speaks to Agreements, without stipulating horizontal or vertical, has been adjusted to relate specifically to vertical agreements.</li> <li>As much as possible, all provisions relating to horizontal agreements have been placed together in the draft Bill.</li> </ul>
Enforcement Structure, Practices and Priorities	es	
<b>13.</b> The FTC has the power to exempt conduct from the application of any substantive of the Act. This exemption procedure is available only on application of a person.	In a future round of amendments to the Act, it may be worth considering adding the power to exempt classes of activities to the FTC.	It was felt that essentially the Authorization Section (S 29) already covers activities worthy of exemption, because it speaks to "any person who proposes to enter into or carry out an agreement or engage in a

on application of a person.

FTC.

"...any person who proposes to enter into or carry out an agreement or engage in a business practice...".

Giving the FTC the power to exempt classes of activities has not yet been addressed.

14 The law does not specify when the Minister should be obligated to file the should file before Parliament the Commission's Annual Report and other reports before Parliament within a short period of time.

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Parliament. In practice, the Annual Report is filed at the appropriate time.

		The provision will continue to say "within a short period of time."
15 Private actions provided under section 48 are never used.	<ul> <li>The government should seriously consider amending the FCA         <ul> <li>to widen the remedies available for private parties.</li> <li>modifying the cost rules to favour greater public use of private enforcement while still guarding against frivolous court actions.</li> </ul> </li> <li>The FTC can also play a role         <ul> <li>in establishing a fee schedule for the recovery of its costs in the provision of advices to the business community, and</li> <li>issuing guidelines on the use of section 48 remedy.</li> </ul> </li> </ul>	<ul> <li>The section that preserves private right of action (S 48) has been used on a few occasions. This is due largely to the fact that litigation is costly, and therefore only 'large' firms that recognize the benefit of proceeding through the Courts, has used it. The Section provides for "damages for any loss caused to any other person" by any anti-competitive conduct. It is therefore conceivable that such damages can be huge. Further, the Court's inherent jurisdiction allows it to grant other remedies.</li> <li>Our proposal that the FTC be accorded the authority to charge fees for certain activities was not accepted.</li> </ul>
16 The procedural provisions of the FCA need to be updated.	It would be advisable for the government to modernise the procedural provisions of the FCA  to deal adequately with computer searches,  to provide safeguards to whistleblowers and leniency to informants,  to address the sharing of information with Jamaican law enforcement agencies and foreign law enforcement agencies, and  to strengthen the confidentiality provisions and the conflict of interest provision.	<ul> <li>Procedural provisions have been upgraded:</li> <li>a. To allow for search of "any person on those premises if there are reasonable grounds for believing that the person has personal possession of an article or document that has or may have a bearing on the investigation";</li> <li>b. To allow for the downloading and seizing of data contained in or accessible by any computer system.</li> <li>Jamaica is now finalizing its legislative framework in the draft Bill that speaks to leniency procedures and would-be whistleblowers. The FTC is listed as a 'prescribed person' in the Bill; and will therefore have specific responsibilities for matters that may be disclosed. We have therefore submitted draft internal procedures for dealing with these matters, to the relevant policymakers.</li> </ul>

		<ul> <li>Provision has been made for cooperation with foreign law enforcement bodies.</li> <li>The confidentiality section has been strengthened, in the aforementioned draft FCA Bill.</li> </ul>
17. While the FTC is in need of increased resources, there are 5 vacant positions at the FTC. Expertise in I.O. as it is not taught at the university although it may be in the near future.	<ul> <li>It is imperative that the Commission make every effort to fill the vacant positions.</li> <li>The FTC should consider developing a close relationship with the university, especially with the new I.O. specialist professor, and put in place a variety of programmes relating to anti-trust law and economics.</li> <li>The FTC should consider setting up an exchange programme to enhance its expertise.</li> </ul>	<ul> <li>All key technical posts have been filled since 2006.</li> <li>The 'new' I.O. professor who joined the University of the West Indies (UWI) in 2006, spent less than a semester. No other such specialist has since joined the UWI.         The FTC Staff conducts courses on Competition Law &amp; Policy as a part of the LLb programme on 2 campuses of the UWI.     </li> <li>The CSME Unit of CARICOM organizes training courses in Competition Law &amp; Policy from time to time.</li> <li>Attempts to participate in the US FTC's fellows programme has yet to materialize because of insufficient funding.</li> </ul>
<b>18.</b> The budget of the FTC does not meet the international standard.	There is a need for the government to re- evaluate its commitment to competition policy and properly fund the FTC.	<ul> <li>Funding in real terms has increased marginally, but this is negated by increases in costs of operation.</li> <li>The Government has indicated its commitment to enforcing competition. However, given the country's economic situation, it is unable to increase its financial support to the FTC.</li> </ul>
19. The FTC which needs to increase its revenues has established a cost recovery fee for Consent Agreements only.	In sum, the FTC should extend its cost recovery fee scheme applicable to Consent Agreement to include Authorizations, Advisory Opinions and eventually merger pre-notifications.	Our proposal that the FTC be accorded the authority to charge fees for certain activities including Authorizations and Opinions, was not accepted.

20. In order to maintain this expertise and be fully effective, the FTC needs to keep abreast of development in the anti-trust world. Recently, for lack of funds, registration to on line access to library services or specialized journals, although it was shared with others, had to be abandoned.	A review of reference material available to the FTC should be conducted with a view to ensuring it has the necessary tools to function properly.	An appreciable amount of reference materials were purchased during years 2006 to 2009, with the assistance of IADB and EU funded projects.  The FTC continuously searches for relevant material from websites which offers information for free – including other competition agencies and the ICN.
21. Similar consumer provisions that are in the FCA have been included in the Consumer Protection Act which became effective on 1 June 2005. The FTC and the CAC agreed on a division of responsibilities.	The FTC should concentrate its activities respecting consumer protection on cases that are clearly within its main mandate of promoting competition i.e. on cases that have a significant impact on competition in the market.	The FTC shifted its focus in 2005, to concentrate on matters that have a significant impact on competition. Matters related to consumer redress are transferred to the CAC.
22. At present, more resources are assigned to the consumer protection function than to the enforcement of the competition provisions	<ul> <li>The FTC should shift its enforcement priorities and assign more resources to the enforcement of the competition provisions.</li> <li>It should also make it a priority to uncover conspiracies, including bid rigging offences and initiate prosecutions.</li> </ul>	<ul> <li>Arising from the shift in focus, the FTC now spends almost all its resources on enforcing the competition provisions and conducting market studies.</li> <li>Substantial resources are expended on investigating cases involving abuse of dominance and initiating Court proceedings in this and other anti-competitive behaviour.</li> </ul>
23. There are no merger provisions which create a big gap in the law. It is the responsibility of the FTC to advise the Minister on the operation of the FTC.	Until amendments are introduced to deal with anti-competitive mergers, the FTC should conduct studies and build evidential support for the introduction of merger legislation.	The FTC has conducted studies on the need for merger legislation; and has made recommendations to the portfolio Minister for a policy decision to be taken. The FTC's examination of the likely effects of mergers in the telecommunications sector has resulted in considerations being included in the current ICT policy. The FTC is currently conducting a market study of the health insurance sector, in which the effect of a recent merger on consumer welfare will be highlighted.

Competition advocacy		
24. One of the functions of the FTC is to " advise the Minister on such matters relating to the operation of this Act, as it thinks fit or as may be requested by the Minister." The FCA does not give a specific mandate to the FTC to engage in competition advocacy.	In recognition of the importance of the advocacy role of the FTC, the Act could be amended to empower the FTC to provide advice not only to the Minister but to the government as a whole and its various departments and agencies.	There is no proposal to include a specific mandate regarding advocacy.     Nonetheless, activities in this area have been increased significantly.     For example, for the 2009/2010 Financial Year, the FTC submitted opinions to several Government departments and agencies on 10 sectors covering 17 areas.
25. Leaving the interface between the competition law and sector specific regulation and law to be settled in court battles is the most costly alternative.	The government should consider adopting a four-prong policy approach to address the interface of the FCA and sector specific laws and regulations:  Enhance the powers of the FTC to provide policy advice and make interventions before regulatory bodies;  Impose an obligation on regulatory bodies to make decisions that are least restrictive of competition;  Determine in the FCA the conditions for regulated conduct to be exempt from the FCA; and  Adopt a policy that any new regulation proposal should have a competitive impact analysis and a sunset clause.	Discussion regarding the interface between competition law and regulation in the financial services sector is ongoing. With regards the ICT sector, the operational 'rules' regarding competition law and regulation has been established.
26. Many consumers and small businesses do not have access to the Internet. They are deprived of valuable information on their rights and obligations that is available only on the Internet site of the FTC.	All of the substantive information on the Internet site of the FTC should be available in printed form.	<ul> <li>Through 2006 to 2009, with the assistance of IADB and EU funded projects, the FTC published, on average, 1 article every 2 months in a major newspaper under the heading "Competition Focus". A radio series was also created and aired for the most part of 2008 and 2009.</li> <li>The FTC's Annual Newsletter "Competition Matters" has been published each year since 1994, and is distributed locally and internationally to approximately 800 persons/entities.</li> </ul>

		<ul> <li>A revised brochure on the competition provisions of the FCA was created, published and distributed; and in 2008, a book entitled "Competition Focus for Children" was created and distributed to schools islandwide,</li> <li>It is to be noted that internet penetration and internet access in Jamaica has increased significantly since the Review was completed.</li> </ul>
<b>27.</b> For the business person who wants to know precisely what his rights or obligations are, the information material provided by the FTC is not accurate enough and sometimes contradictory.	In addition to general information, the FTC should develop and disseminate clear, precise and non-contradictory explanation of the various provisions of the law.	<ul> <li>A revised brochure on the competition provisions of the FCA was created, published and distributed in 2006. Copies are distributed at public education activities and at meetings with business persons; and are also available at our offices.</li> <li>Since 2008, the website is updated internally. This allows for more frequent updates to be done and issues to be addressed more frequently.</li> </ul>
28. It is a recurrent complaint from a variety of sectors that there is not enough information available on the FTC, on the FCA and on competition policy in general.	The FTC should undertake a comprehensive review of its communication programme and develop a strategic approach to its public communications.	<ul> <li>As a part of both the IADB and EU funded projects which extended from 2005 to 2009, the FTC developed and implemented a communication strategy which is still in effect.</li> <li>Activities are undertaken on an ongoing basis.</li> </ul>