

Role and Functions of the FAIR TRADING COMMISSION

Competition is about Choice for Consumers

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Outline

- Overview of the FTC
- Competition is for Consumers
- Role of Consumers

Overview of the FTC

- Government institution established in 1993
- Administer the Fair Competition Act
- Objective:
 - Prevent activities that negatively affect competition
 - Promote competition in markets
 - Protect the interests of consumers

Overview of the FTC

- Objective of competitive law
 - ensure efficiency in the production and distribution of products
 - ensure lower prices, better quality and greater variety of products
- Advantages of competition
 - incentivize suppliers to better respond to the needs of consumers
 - weeds out inefficient firms

MISSION

“**provide** for the maintenance and encouragement of competition in the conduct of trade, business, and the supply of services in Jamaica, with a view to providing **consumers** with **competitive prices** and **product choices**”

Overview of the FTC

- Functions of the FTC:

To carry out investigations

- on its own initiative
- at the request of any person
- at the request of the Minister

to determine whether any enterprise is engaging in business practices in contravention of the FCA.

Competition is for Consumers

- Anti-competitive practices rob consumers
- Types
 - Collusion: remove competitive prices
 - Mergers: reduce consumer choice
 - Abuse of dominance: prevent or remove consumer choice and competitive prices
 - Misleading advertising: deprive consumers of information necessary for them to make informed choices

Competition is for Consumers

- Collusion - removes competitive prices and therefore reduces consumer welfare
- Rival suppliers cooperate for their mutual benefit
- Rival suppliers agree to divide markets, set prices or limit production
- Examples:
 - Suppliers of medical products may divide market by type of customer (government hospital vs. private hospital)
 - Pharmacies may agree on opening hours
 - Suppliers of radiology services may agree on prices

Competition is for Consumers

- Mergers – not all mergers are anti-competitive
- Mergers reduce the number of players in an industry
- Mergers increase the feasibility of collusion
- Mergers may lead to increase in market power
- Effect on consumers:
 - Reduction in choice
 - Higher prices
 - Poor quality goods and services

Competition is for Consumers

- Abuse of dominance
- Conduct is directed towards other suppliers (existing or potential)
- Conduct is geared towards preventing entry of new supplier or removing existing supplier
- Effect on consumers:
 - Reduction in choice (limited or no innovation)
 - Higher prices
 - Poor quality goods and services

Competition is for Consumers

- Misleading advertising
- Suppliers may provide inaccurate or incomplete information
- Advertising methods
 - Newspapers, flyers, brochures, radio, television, text message, product labels
- Effect on consumers:
 - Inability to make informed choices
 - Wrong product choice
 - Higher costs and prices

Role of Consumers

- Shop around
- Get information
- Vote with your feet
- Talk to the FTC



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