



FAIR TRADING COMMISSION

Annual Report 2018/2019

Mission Statement

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

FAIR TRADING COMMISSION
Unit 42A, New Kingston Business Centre
30 Dominica Drive
Kingston 5

March 17, 2022

Senator the Honourable Aubyn Hill
Ministry of Industry, Investment and Commerce
4 Saint Lucia Avenue
Kingston 5

Dear Minister:

Per Section 14(1) of the Fair Competition Act, I have the honour of transmitting herein the Commission's Report for the Financial Year 2018/2019 and a copy of the Financial Statements of the Commission's Accounts as at March 31, 2019, duly certified by the Auditors.

Yours sincerely,



Donovan White
Chairman

Members of the Commission 2021-2022

Mr. Donovan White (Chairman)

Mr. Robert Collie

Mr. Stuart Andrade

Miss Dorothy Lightbourne

Mrs. Suzanne Ffolkes-Goldson

Mr. David Miller (Executive Director)

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FINANCIAL STATEMENTS

Executive Director's Overview



2018 marked the FTC's 25th anniversary and this milestone was recognized with a series of activities over four months. We published a 25th Anniversary Supplement in the Jamaica Observer which included messages from the highest level of Government officials, an article on the way forward by the Executive Director; as well as information on the FTC's work over the 25 years. Other activities included a celebration through a Church Service, radio and television interviews, the Staff delivering guest lectures at the University of the West Indies and the University of Technology, as well as the publication of a special edition of *Compete*, the FTC's annual magazine. The special edition was dedicated to describing the FTC's work over the years through the theme "FTC after 25 years".

The 25th-anniversary celebrations were bolstered throughout the year with other public education and competition advocacy activities including publishing our quarterly electronic newsletter *FTCNewsline*, publishing articles in the newspapers, one-on-one meetings with Ministries, Departments and Agencies, and public speaking engagements.

Early in the Financial Year the Judicial Committee of the Privy Council (PC) issued the Order on Costs in the now landmark case of *FTC v Digicel Jamaica Limited (Digicel) and anor*. The PC stated that Digicel is to pay the FTC's costs for both the Privy Council matter and the Court of Appeal matter, at an interest rate of 8% per annum. The FTC and Digicel agreed on an amount of \$27 million.

Work on creating an appropriate Merger Review Regime for Jamaica moved through several stages and by the end of the Financial Year the Staff had examined the Consultant's proposed provisions for the FCA and had reviewed and submitted a draft Cabinet Submission to the Attorney General's Department and the Ministry of Finance & the Public Service.

The Staff entered rarefied air when it assessed the competition implications of having a single entity operate both the Norman Manley International Airport (NMIA) and the Sangster International Airport (SIA). The assessment was triggered by complaints from entities who claimed that the divestment exercise for the NMIA was faulty and could result in an entity controlling the services offered by both airports thereby resulting in harm to competition. The work was extensive, and our conclusions were instructive. The Staff's work resulted in the FTC recommending behavioural remedies and a monitoring mechanism that will reduce the likelihood of anticompetitive conduct. Importantly as well, is that this matter involved collaboration with the Development Bank of Jamaica (DBJ) and set the stage for a working

framework for competition advocacy with the DBJ on future divestments and the design of funding arrangements.

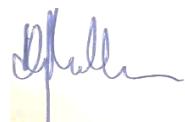
To strengthen the institution, the FTC undertook several new activities and continued with several notable activities. We undertook an information and communication technology upgrade at a cost of approximately \$3.7 million on the one hand and on another hand, the Executive Director participated in the WTO Workshop on Government Procurement and Governance, for which the theme was “Promoting Good Governance in Public Procurement Markets: Competition and Enforcement Dimensions and the Role and Relevance of the Revised WTO Agreement on Government Procurement (GPA)”.

Two activities under the Foundations for Competitiveness & Growth Project (FCGP) advanced significantly: the Competition Advocacy Consultancy and the proposed customized electronic Workflow and Case Management System. Additionally, the World Bank Group Mission agreed to a new consultancy for conducting a series of Merger Review workshops with Ministries Departments and Agencies, on the merger law when it has been approved.

Following the 2018 Cabinet Decision No. 20/18, to merge the functions of the Consumer Affairs Commission (CAC) and the FTC into a single public body, both agencies discussed collaborating on recommending the most appropriate institutional and organisational structure for the new entity.

The Staff commenced work by examining the Singapore and Australia authorities, both of whom have oversight and enforcement powers for both competition policy and consumer protection; and recommended that an opinion be sought, to guide the integration of the duties, responsibilities, statutory obligations and governance structures that are defined in the FCA and the Consumer Protection Act (CPA), for effective enforcement by the new entity. It is expected that work to complete the ‘merger’ and to create a single body will extend over the next few years.

During the year we bid farewell to two of our Legal Officers. Ms. Wendy Duncan, who was with us for 19 years, and who played an important role through several changes in focus by the Legal Department, and Mr. Marc Jones who spent 6 years with us. They both gave yeoman’s work to the Commission, were instrumental in our Privy Council case, and we wish them all the best in their respective careers. I must also thank our staff who continue to dedicate themselves to the Commission and to enforcing Jamaica’s competition law.



Executive Director
June 15, 2019

About us

The Fair Trading Commission (FTC) is a law enforcement agency that promotes competition and challenges business practices that could harm competition. 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 and business and the provision of services in Jamaica. The FTC's purpose is to ensure that markets are competitive and that consumers are provided with competitive prices and product choices. Accordingly, the FTC challenges business practices that could result in higher prices, lower quality and availability of goods and services.

Functions of the FTC

The functions of the FTC as set out in section 5 of the FCA are to:

- Carry out, on its own initiative or at the request of the Minister or any other person, investigations in relation to the conduct of business in Jamaica in connection with matters falling within the provisions of the FCA;
- Advise the Minister on matters relating to the operation of the FCA;
- Make available to businesses and consumers general information with respect to their rights and obligations under the FCA;
- Cooperate with and assist any association in developing and promoting the observance of standards of conduct for the purpose of ensuring compliance with the FCA; and
- Undertake studies and publicize reports and information regarding matters affecting the interests of consumers.

The FCA prohibits business practices that amount to a reduction in competition. These practices include abuse of a dominant position, agreements that substantially lessen competition, exclusive dealing, market restriction, resale price maintenance, tied selling, price-fixing and bid-rigging. It also strictly prohibits misleading advertising, sale above the advertised price, double ticketing, and the unavailability of goods advertised at a bargain price.

The FTC has lawyers and economists who investigate business practices that might be anti-competitive and thereby lead to higher prices and reduced choices for consumers. To carry out its investigations, the FTC has the power to obtain any information that it considers necessary. Where the Staff has determined that there might be a breach of the FCA. The matter may be brought before the Court for a determination, or the Staff may use methods other than litigation to correct the impact of anti-competitive conduct.

Governance

For the Financial Year 2018/2019, the FTC's parent ministry was the Ministry of Industry, Commerce, Agriculture & Fisheries (MICAF). The FTC is governed by a maximum of five Commissioners appointed by the Minister. In May 2018, the Honorable Minister Audley Shaw

appointed four Commissioners for the period May 2018 to May 2020. Dr. Derrick McKoy was reappointed as Chairman, Mr. Stuart Andrade and Mr. Robert Collie were reappointed as Commissioners, and the Executive Director, Mr. David Miller, was re-appointed as an *ex-officio* Commissioner. Ms. Dorothy Lightbourne was appointed as a Commissioner for the first time. Dr Lloyd Waller was not reappointed.

The Commissioners

Dr. Derrick McKoy, CD (Chairman) is an Attorney-at-Law who is a former Contractor General of Jamaica and a former Dean of the Faculty of Law, University of the West Indies, Mona Campus. He is a Member of the Chartered Institute of Arbitrators and a Fellow of the Asian Institute of Alternative Dispute Resolution who holds a doctorate in law from the University of Leicester, a doctorate in Business Administration from Nova Southeastern University, an LLM in International and Comparative Law from University College London, an MBA from Barry University, as well as an LLB from the University of the West Indies. He is also a graduate of the Norman Manley Law School.

He serves on several public and private boards. He chairs the Fair Trading Commission, the Jamaica Antidumping and Subsidies Commissioner, the Duke of Edinburg Awards Scheme in Jamaica, and the National Compliance and Regulatory Authority. He is a former member of the Integrity Commission of Jamaica, who sits on the boards of the Jamaica Stock Exchange, M/VL Stockbrokers Ltd, the Jamaica Youth Business Trust, and the Munro College School Board as a Trust Appointed Member.

Dr. McKoy has published in the areas of competition law, constitutional law, corruption, labour law, public management, governance, and the law of computers. In 2016, he was awarded the Order of Distinction, in the rank of Commander (CD), for outstanding contribution to the Legal Profession and Public Service in Jamaica.

Mr. Stuart Andrade has over 20 years of experience working in finance in various capacities such as Assistant Financial Controller and Financial Analyst. He has served on various boards, including the Consumer Affairs Commission.

Mr. Robert Collie is an attorney-at-law and Justice of the Peace with over 14 years' experience at the Jamaican Bar. He is the founder and Managing Partner of the law firm Collie Law, Attorneys-at-Law. Before that, he worked as a Senior Associate at Myers, Fletcher and Gordon, Attorneys-at-Law, and as Director of Legal and Enforcement, at the National Environment and Planning Agency (NEPA). Mr. Collie is past Chairman of the Natural Resources Conservation Authority Appeals' Tribunal. He is a former member or director of the following boards: The

Child Development Agency's Adoption Board, Charities Appeal Tribunal, Pre-University School Limited, Impossible Services Limited, Chrysalis Developers Limited, Jamaica Foundation for Lifelong Learning, Jamaica Information Service, Jamaica 4-H Clubs, and Jamaica Intellectual Property Office.

Mr. Collie's law expertise spans the areas of Environment, Planning, Real Estate, Probate, Commercial, Civil and Criminal Litigation, Labour, Intellectual Property, Competition, and Family.

Ms. Dorothy Lightbourne, CD, QC, an attorney-at-law, was the first female Minister of Justice and Attorney General of Jamaica. She served in this capacity from 2007 to 2011 and as a Government Senator from 1984 to 1989, where she was Deputy President of the Senate.

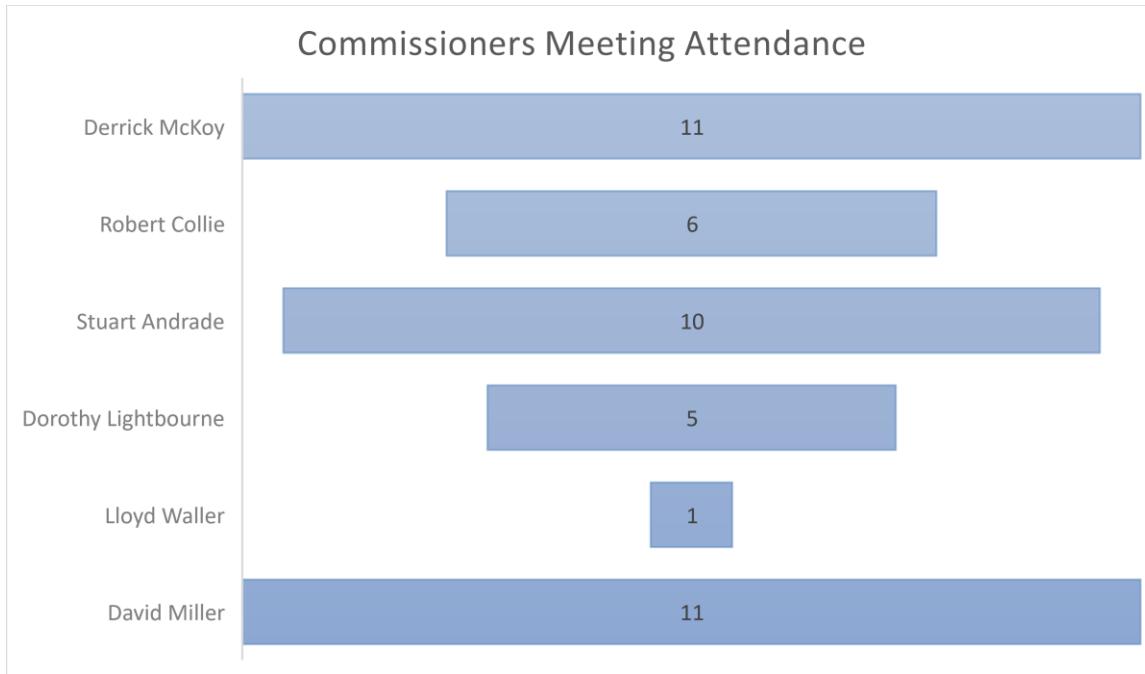
Ms. Lightbourne was called to the Jamaican Bar in 1970. She is a former member or director of the following boards: Rent Assessment Board for the Corporate Area, Disciplinary Committee of the General Legal Council, and the Air Jamaica Transport Licensing Board.

In 2009, she was awarded the Order of Distinction in the Commander (CD) rank for over 20 years of service to the Senate.

Mr. David Miller was appointed Executive Director in November 2009 after serving as General Manager of the FTC for nine years. He holds a Masters' Degree in Accounting and a Bachelor's Degree in Management Studies from the University of the West Indies.

Meeting of the Commissioners

During the year, April 1, 2018, to March 31, 2019, eleven Commissioners Meetings were held. The quorum for meetings is 3 members. Meeting attendance is as indicated in the chart below.



Priority Programmes

In line with its mandate as set out in section 5 of the FCA and its mission, "to provide for the maintenance and encouragement of competition in the conduct of trade, business and in the supply of services in Jamaica with a view to providing consumers with competitive prices and product choices," the FTC sets the following general priority programmes within which to focus its work:

Enforce the FCA

Increase emphases on enforcing the FCA provisions through the Courts in relation to business conduct deemed inimical to the competitive process to reduce and deter anticompetitive business practices.

Advocate for competitive markets

Improve market efficiency by promoting the least restrictive existing and proposed policies to ensure that those policies do not hinder competition.

Educate the public

Inform and educate policymakers, decision-makers, businesses, and consumers on the benefits of competitive markets to promote a better understanding of the FTC's role in fostering a competitive economic environment.

Collaborate with other agencies

Maintain and enhance a presence in the international competition arena to further facilitate the growth and development of the Staff of the FTC, and provide advice on regional competition issues to the other CARICOM Member States.

Streamline processes

Streamline internal processes to find new and more effective ways to improve the delivery of services to all external Stakeholders as well as to the Staff and Commissioners, as well as to enhance the efficiency with which we use our resources to carry out our primary function of promoting competition.

Strategic Priorities

As Jamaica's competition advocate with the primary responsibility to promote competition and competitive markets for the benefit and consumers and businesses, and ultimately improve productivity and economic growth, the FTC is critical to **Vision 2030** National Goal #3, *Jamaica's economy is prosperous*; National Outcome #8, *an enabling business environment*; and National Outcome #12, *internationally competitive industry structures*. The work of the FTC and its collaboration with other Government organization support Jamaica's outlook.

For the 2018/2019 Financial Year, in addition to its enforcement actions, the FTC continued to examine critical sectors and markets and to advocate for competition considerations in the formulation of government policies and legislation.

Accordingly, the main priority issues for 2018/2019 include the following:

- *Safeguarding and promoting competitive markets in critical sectors*
 1. Examining the state of competitiveness of Jamaica's airports, specifically, the arrangements for having internationally competitive airport services.
 2. Undertaking research into improving the level of competition in the market for banking products and services. The FTC partnering with the Bank of Jamaica will engage an international consultant to lead a market study that will identify areas that if addressed, will serve to improve the level of competition.
- *Strengthening the legislative framework for competition law enforcement*
 3. Strengthening of the competition legislation to include merger control/review. Specifically, finalizing the draft legislation and regulations for an appropriate merger review regime for Jamaica; and to introduce a merger control framework as part of the current Fair Competition Act (1993).
- *Educating the public on the benefits of competitive markets*
 4. Engaging the business community, policymakers, and consumers on the benefits of competition to the economy, and on the importance of their participation in maintaining and fostering competitive markets.
- *Improving regional and international cooperation*
 5. Widening the FTC's reach within CARICOM through participation in regional discussions on competition issues.

Performance

Enforcement for impact

Court Matters

FTC Privy Council Order on Costs

Following on the ruling of the Judicial Committee of the Privy Council, that the FTC has jurisdiction over the 2011 acquisition by Digicel Jamaica Limited (Digicel) of Oceanic Digital Jamaica Limited (Claro), the PC handed down its decision that Digicel should pay the FTC's costs related to both the Privy Council and the Court of Appeal.

The Order on Costs, issued in May 2018, stated that: (i) Digicel is to pay the FTC's costs; (ii) interest at 8% per annum is to be paid from a month after they were incurred until payment is made; and (iii) Digicel is to pay the FTC's costs in the Court of Appeal in Jamaica. The FTC and Digicel agreed on an amount of \$27 million.

For the FTC to resume its challenge in the Supreme Court concerning Digicel's acquisition of Claro, the FTC had to decide whether the competition issues identified in the 2012 analysis of the acquisition were still relevant. Critical to the decision of whether competition was lessened because of the Digicel/Claro merger, was the availability of spectrum to existing and potential new mobile players since the merger.

As part of its reassessment of the competition concerns, the Staff consulted with the Spectrum Management Authority (SMA) and ascertained that the level of availability of spectrum in various bands for each year since 2014 has been sufficient for the existing market participants and potential entrants. Therefore, the holding of a significant band of the spectrum by Digicel at the time of the merger may have affected competition between 2012 and 2014 but has not limited competition since 2014. Accordingly, the matter was closed by the Commissioners.

Other Notable Matter

Assessment of the Management arrangement for the Norman Manley International Airport

The FTC undertook an assessment of the competition implications of having a single entity manage both the Norman Manley International Airport (NMIA) and the Sangster International Airport (SIA). Through the Development Bank of Jamaica, the Government of Jamaica (GOJ) invited bids for the concession to operate the NMIA. One bidder, a consortium, had among its members Grupo Aeropuerto Del Pacifico (GAP), a company which was also a member of another consortium which operated the Sangster International Airport (SIA).

In 2015, the GOJ failed in its attempt to privatise the operations of NMIA after none of the pre-qualified bidders followed through with an offer; and in October 2016, the GOJ approved a new Public-Private Partnership tender for the NMIA. The FTC received multiple complaints regarding the announced second divestment exercise. The essence of the complaints was that a consortium

of which GAP was a member was selected to participate in the second attempt to divest the NMIA. Further, that should this consortium be selected as the winner, then such a situation would significantly lessen competition in the airport industry.

The primary issue was whether GAP being a party of the bidding process for NMIA in circumstances whereby it was the party with the concession for SIA would constitute a breach of the FCA. SIA is the only other international airport operating in Jamaica and in 2017 it accounted for 73 per cent of the approximately six million passengers who used the services of Jamaica's international airports.

The economic assessment examined areas such as the nature of the passengers that used both airports; the destinations that were available; the airlines that stopover; route development initiatives; incentives offered to airlines; and airport facilities such as the range and type of concessionaires.

The FTC concluded that both airports were operating in the same relevant market as plans for the completion of the North to South Highway in Jamaica meant that it would be considerably easier (i.e., travel time less than 2 hours) in the foreseeable future for either inbound or outbound passengers to travel between the two international airports. To the extent that GAP's control of the NMIA would result in a single supplier of airports services between Jamaica and the rest of the world, the FTC concluded that passengers and other users of airport services could be harmed by (i) higher prices, (ii) lower service quality standards or (iii) slower pace of innovation, relative to the market conditions which would prevail if GAP did not acquire control of NMIA.

The main points of the assessment were:

- Both NMIA & SIA were in the same relevant market for the provision of airport services;
- There was a likelihood of anticompetitive conduct if a member of the consortium that manages SIA, was also a member of the consortium that would manage NMIA;
- A structural remedy which would amount to the barring of the member of the consortium that managed SIA from being a part of the consortium bidding for NMIA, would be the most appropriate;
- Behavioral remedies can be applied to reduce the likelihood of anticompetitive conduct;
- Seven specific behavioral remedies were defined.

It was agreed that the potential harm to consumers could be mitigated by monitoring GAP's conduct from a competition policy perspective as well as including in the Concession Agreement between the AAJ and GAP, provisions articulating the seven behavioral remedies.

Arising from the FTC's work on the NMIA Concession Agreement, the Staff met with representatives of the Jamaica Civil Aviation Authority (JCAA) and consultants Oxera, with respect to the JCAA's review of airport charges. The JCAA was working on adjusting its fees regulation structure for a five-year period. The key outcomes of the assessment of both airports being

operated by GAP in the future and the issues that should be considered by the JCAA and the AAJ in their methodology for regulating the NMIA and the SIA, were discussed.

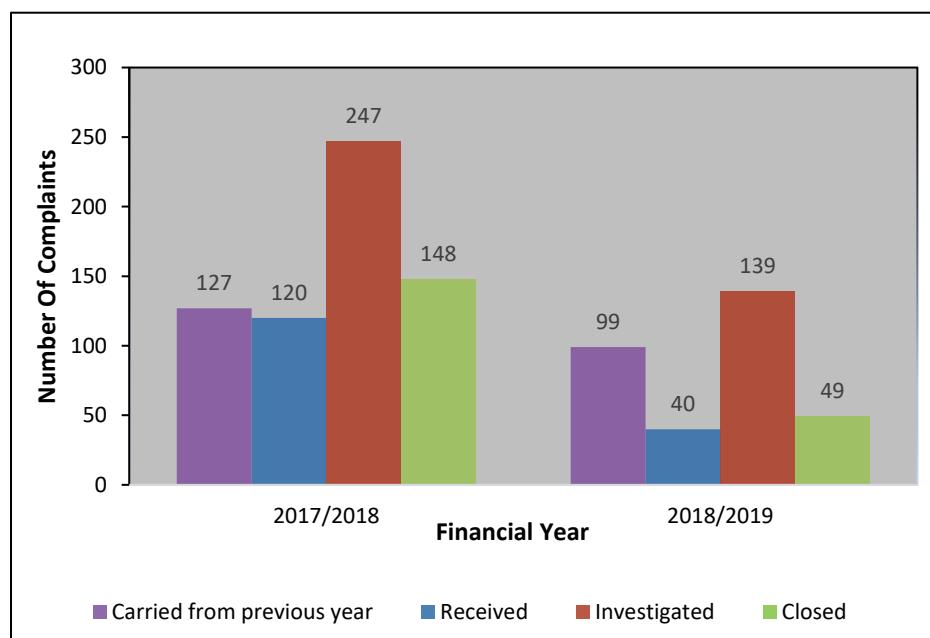
During the year the FTC undertook other investigations into business conduct in the following sectors:

- Health insurance
- Used car
- Telecommunications
- Tertiary education
- Micro credit
- Furniture and appliances

Complaints handled

Over the period April 1, 2018, to March 31, 2019, the FTC investigated 136 complaints for breaches of the FCA. This comprises 96 cases that were unresolved at the end of the previous financial year and 40 cases which were received during FY 2018/2019. Of the 40 complaints received, 52.5% concerned matters in the automobile and telecommunications sectors while the remaining 47.5% of complaints were distributed across 13 industries. The complaints regarding the telecommunications sector covered matters including allegations of failure of suppliers to provide advertised services. For the automobile sector, the complaints covered matters including misleading representation regarding vehicle mileage and model year. Forty-nine cases were resolved. In addition to the complaints, the FTC responded to 74 requests for information from the public.

Figure 1: Complaints investigated by year



Market study for promotion of competition

Study on the level of Competition within the Banking Sector

The contract with Menns SPRL, the Consultants who would conduct the study under the direction of the FTC and the Bank of Jamaica (BOJ), was signed in September 2018 and work began in the following month with an Inception Mission.

The Mission included (i) a meeting with the BOJ and the FTC to ensure a clear understanding of all aspects of the Consultancy, by the BOJ, the FTC and the Consultants; (ii) a workshop conducted by the Consultants on the economics aspects of the study, for the BOJ and the FTC; (iii) a sensitization meeting with market participants; and (iv) one-on-one discussions for data and information gathering purposes, with several market players including the National Commercial Bank (NCB), Bank of Nova Scotia Limited (BNS), Jamaica Money Market Brokers Limited (JMMB), Jamaica National Building Society (JN), Sagicor Jamaica Limited and the Jamaica Association of Micro Finance Institutions (JAMFIN).

The Study, a deliverable under the Government of Jamaica agreement with the International Monetary Fund (IMF), will discuss the main factors for relatively low competition outcomes in Jamaica. During the duration of the consultancy progress reports were made to the IMF, the Economic Growth Council (EGC) and the BOJ's Financial Inclusion Steering Committee.

The end date of the Consultancy was July 31, 2019.

Advocacy

Competition advocacy refers to activities undertaken which are related to the promotion of a competitive environment utilizing non-enforcement mechanisms, mainly through our relationships with other governmental entities.

During the 2018/2019 year, some of our advocacy activities related to:

1. Creating Jamaica's merger control and review regime
2. Reviewing market access and expansion of tourism destination companies
3. Formulating a pricing policy for spectrum
4. Advancing a National Consumer Policy

Creation of Jamaica's merger control and review regime

In September 2017, Menns SPRL (Belgium), in consortium with LEAR Lab S.R.L. (Italy), was selected to draft legislation and regulations for an appropriate merger review regime for Jamaica, which includes provisions dealing with merger control as part of the current Fair Competition Act (1993).

The work continued into the 2018/2019 Financial Year with the FTC's Staff evaluating the Consultant's recommendations for the Merger Review Regime. The proposed provisions (drafting instructions) covered the following areas: administration, transactions subject to merger review, procedures, interlocking directorships, orders in respect of anticompetitive mergers and cooperation with the CARICOM Competition Commission (CCC).

The objectives were:

- a) make clear the procedural and substantive merger rules derived from the power of the FTC to review mergers under S 17 of the FCA;
- b) establish rules for the review and control of mergers that are in line with international best practices;
- c) adopt an organisational structure within the FTC for the review and control of mergers, allowing for its finance, and the effective, fair, and efficient implementation of S 17 as it relates to mergers;
- d) enlarge the analytical framework under S 17 by which mergers are reviewed, allowing for a merger to be controlled for its likely competitive effects on the market and for pre-defined public interest or policy reasons related to the economic goals of the country; and
- e) through the review and control of mergers, further create a business environment which promotes, maintains, and encourages competition and supports a business-enabling environment which delivers favourable outcomes for consumers.

The FTC also held discussions with representatives of the World Bank Group (WBG) on technical training on implementing the Merger Review process as well as the operational or administrative aspects of the Regime. A draft Terms of Reference and avenues for funding a Consultancy to cover the training were discussed with the WBG.

A draft Cabinet Submission based on the Consultant’s recommendations was submitted to the Attorney General’s Department and the Ministry of Finance & the Public Service for their approval. However, by the end of the Financial Year the Attorney General’s Department had neither commented on nor approved the draft Cabinet Submission. This delay shifted the timelines for the Consultancy and completion of the framework significantly, and resulted in a renegotiation of the scope of the Consultants’ Contract.

As part of the work, the FTC drafted a legal opinion on the charging of fees for merger investigations under the FCA. This included draft recommendations for a fee schedule as well as a merger application form.

Consultation on Merger Review Framework

The FTC held discussions with Price Waterhouse Coopers (PwC) on the purpose and necessity of having a pre-merger notification regime for Jamaica. PwC is the Caribbean’s leading management consulting firm in handling Mergers and Acquisitions (M&A).

Sensitizing the business community about the pending amendments and regulations to the FCA for introducing a formal merger control and review framework is an essential aspect of a successful regime, and this meeting marked the first of a series of stakeholder engagements which will be ongoing.

Tourism

The FTC was at the centre in discussions with the Minister of Tourism and his team regarding the harm being experienced by local destination management companies. The discussions included senior representatives of the Ministry of Foreign Affairs & Foreign Trade (MFAFT), Tourism Product Development Company (TPDCo), Ministry of Labour and the Passport Immigration & Citizenship Agency (PICA). Whereas the MFAFT presented and led the discussion on the trade issues and likely trade measures, the FTC presented and described the competition policy issues and available options.

It was agreed that neither the trade nor the competition policy avenues could be used to address the core issues. The meeting’s outcomes were (a) the 2014 demand study on the tourism sector should be reviewed; (b) the creation of a policy to respond to changes in demand; and (c) efforts to be made to develop the capital market such that local entrepreneurs may have ‘easier’ access to funds for investing in the sector.

Spectrum

The FTC met with a Consultant contracted by the Spectrum Management Authority (SMA) who is reviewing the framework that governs the use of spectrum as well as the SMA’s fee structure. The discussion covered the pricing mechanism being used by the SMA, which raises questions as it relates to best practices; efficiency and competition implications of various methods used to allocate spectrum; as well as the effect on different markets that spectrum is used.

National Consumer Affairs Policy

The Executive Director represented the FTC in meetings of the MICAF Steering Committee to develop a National Consumer Affairs Policy. The draft Terms of Reference (TOR) of the Steering Committee was agreed upon and the Committee finalized the TOR for the Consultant who will draft the Policy. The Steering Committee also discussed options for funding the Consultancy in the 2019/2020 Financial Year, and the FTC being a beneficiary under the Foundations for Competitiveness and Growth Project (FCGP), will be approaching the PIOJ with a proposal for funding the Consultancy through the FCGP.

Public Education

As a commitment to educating the business community, policymakers, and consumers on competition law matters, we undertook several activities for the year, most of which have become an annual event. These events include publications and speaking engagements or presentations by our Staff. Below are some of the main events for the year.

FTC's 25th Anniversary

The Fair Competition Act, which establishes the Fair Trading Commission, took effect on September 9, 1993. For the period August to December 2018, the FTC celebrated its 25th anniversary with a series of activities.

- *JIS Think Tank*



The Executive Director, Competition Bureau Chief and Senior Legal Counsel discussed the FTC's main achievements and successes over the 25 years, the FTC's focus for the next five years (2018-2024), and the importance of having a merger review framework and general responsibilities under the FCA. The Discussions included the implications of the 2017 Privy Council decision, the economics of competition law and the benefits of a market economy. An article on the discussions was published on the JIS website.

- *Newspaper Supplement*

The Commission's 25th Anniversary Supplement was published in the September 26, 2018, edition of the Jamaica Observer. It included messages from the highest level of Government officials and the Chairman. Included also was an article on the way forward for the FTC by the Executive Director; as well as information on the FTC's work over the 25 years.

- *Guest Lecturer*

The Staff delivered three guest lectures to students and academia of the UWI's Faculty of Law and Department of Economics and at the University of Technology (Utech). Mr. Marc Jones, Legal Officer, delivered a presentation entitled "*Demystifying Misleading Advertising under the Fair Competition Act*" at the Faculty of Law, UWI; and Dr. Kevin Harriott, Competition Bureau Chief, delivered a lecture on "*The Economics of Competition Law*" at the College of Business & Management, UTech and at the Department of Economics, UWI.

- *Church service*

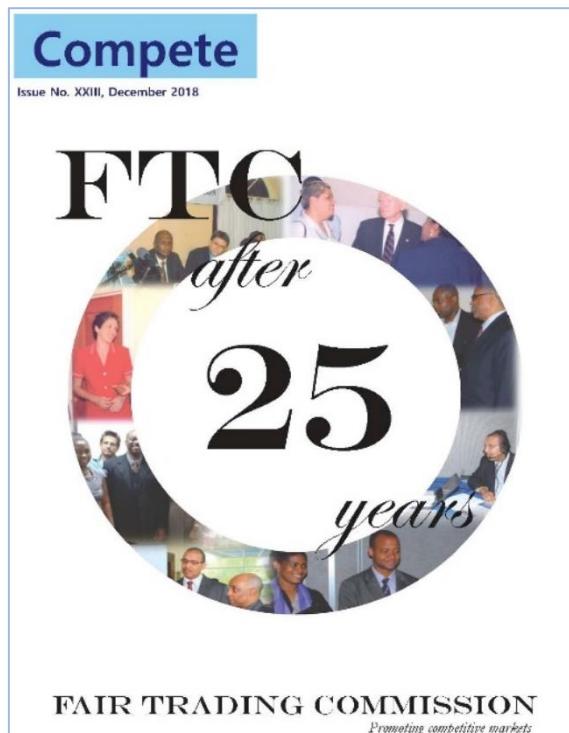
The FTC's commemorative church service was held on September 9, 2018, at the Providence Methodist Church.



From left: Dolsie Allen (CEO, Consumer Affairs Commission), David Miller (Executive Director, Fair Trading Commission) Marc Jones (Legal Officer, FTC), Ann- Marie Grant (General Manager, FTC), and the Reverend Charlene Burton, JP.

- *Special edition of Compete*

A special edition of the FTC's annual magazine was published in December 2018. It highlighted the many achievements of the FTC between 1993 and 2018.



Annual Magazine

As the year 2018 marked the 25th anniversary of the FTC, the annual magazine **Compete** was dedicated to describing the FTC's work over the years through the theme "*FTC after 25 years*". The magazine included messages from the Governor General, Prime Minister, Leader of the Opposition, the Minister of Industry Commerce Agriculture & Fisheries, the Chairman of the Commission as well as previous Commissioners.

The magazine featured several newspaper headlines that highlighted the impact of the FTC's work. Under a section entitled "What matters most 1993-2018" the magazine provided a snapshot of significant accomplishments for each of the 25 years. Articles were contributed by representatives of the public and private sectors as well as the Staff and discussed the importance of competition policy to economic growth and the necessity for the FTC to remain a vibrant, forward-thinking organization.

It was distributed to approximately 750 persons, both local and overseas, to Government Ministries, Departments, and Agencies, academic institutions, business enterprises, and professionals; and is available on the FTC's website www.jftc.gov.jm.

Musing, Congratulatory Note, Reflection **BY COMMISSIONERS**

A Remarkable Institutional Architecture

In any economy where the capitalist mode of production underlies the core principles on which economic arrangements are built, the need for a superstructure to ensure that economic activities are carried out in a fair, efficient and equitable manner is most welcomed. For, the primacy of individual rights and the freedom to act in one's self interest; which are core characteristics of the capitalist system, do not always lead to outcomes that coincide with the welfare needs of the general population. The capitalist state therefore, has to provide mechanisms to regulate excesses that might derive from individuals' freedom to act while at the same time, incentivize individuals to invest and create demand for goods and services that will redound to growth of the economy. The Fair Trading Commission, which was birthed in 1993 carries out this role in the context of the Jamaican economy.

In its short 25 year stint, the Commission carried out its role as the conscience of the capitalist market system, with distinction. Through dedicated leadership and a highly competent team, the FTC provided some of the most carefully researched analyses on the nature of the competition landscape in Jamaica. They keep a close watch on developments across industries to ensure that consumer welfare is not undermined. The people of Jamaica should be very proud of the work that this commission continues to do to protect the welfare of all citizens from the excesses of the unbridled capitalist mode of doing business.

I salute the leadership and hardworking team at the FTC and wish them continued success for another 25 years.

*Prof. Densil A. Williams
Commissioner, 2012 - 2016*

What matters most

1993 - 2018

PAGE TWENTY-EIGHT

THE GLEANER, THURSDAY, SEPTEMBER 9, 1993

Fair Competition Act

takes effect today



FAIR COMPETITION

Creating a New Environment for Consumers & Businesses.

- 1993** The Fair Competition Act took effect on September 9, 1993. The doors of the FTC opened in November 1993.
- 1994** FTC's intervention ended discrimination and collusive practices regarding commission paid to advertising agents.
- 1995** Telecommunications of Jamaica (TOJ) rolled back its Internet access charges after the FTC had determined that the charges were unjustified and that TOJ's action represented an abuse of dominance.
- 1996** Agreement with TOJ removing the requirement that consumers use only TOJ's equipment in their homes.
- 1997** First issue of *Competition Matters*, an annual publication which highlights the work of the FTC. In 2013 the magazine was renamed, '*Compete*'.
- 1998** Agreement with Restaurants of Jamaica regarding misleading representation with respect to a special meal offering.
- 1999** Agreement with Cable & Wireless Jamaica Limited regarding misleading representation and abuse of dominance relating to its messaging service.
- 2000** Launch of the Annual Shirley Playfair Lecture, held in honour of the Mrs. Shirley Playfair, the first Chairperson of the FTC.

Newsletter



FTCNewsLine



Issue: 1-19 January 1, 2019



FTCNewsLine is an on-line quarterly newsletter of the FAIR TRADING COMMISSION that contains information on competition matters dealt with by the Fair Trading Commission as well as other competition agencies from around the world. The aim is to provide readers with insights into some of the matters that are prosecuted in other jurisdictions; and to assist businesses and consumers in better identifying issues that may pose competition concerns.

Competition legislation is specific to each jurisdiction and activities that are prohibited in one jurisdiction are not necessarily prohibited in other jurisdictions. For information on the prohibitions under the Jamaica's competition legislation, the **FAIR COMPETITION ACT (FCA)**, please visit our website at www.jftc.gov.jm.

In this Issue we feature issues related to the period October 1, 2018 to December 31, 2018.

New entity to undertake the functions of the FTC and CAC

By way of Cabinet decision in June 2018, approval was granted for a new entity to be created, that will carry out the functions of both the FTC and the Consumer Affairs Commission (CAC). At present, the FTC is Jamaica's competition agency which includes both competition policy and consumer protection issues; while the CAC has oversight of consumer protection matters. This is a part of the Government's public sector transformation programme where emphasis is placed on combining entities with similar functions to achieve more effective service delivery. The process to combine the two Agencies will be undertaken in 2019.

FTC engages graduate students

As part of the FTC's 25th anniversary, the Staff presented three guest lectures at the University of the West Indies (UWI) and the University of Technology (UTech) in October 2018.

FTCNewsline is a quarterly newsletter that contains information on competition matters dealt with by the FTC. Four issues were published in the year, in April, July, and October 2018 and January 2019. The issues were emailed to over 700 persons, including representatives of the major television stations, newspapers, and radio stations. The newsletter provides insights into the FTC's work and assists persons in better identifying business activities that may pose competition concerns. The issues are available on the FTC's website at www.jftc.gov.jm.

The headlines for the year included:

- FTC completes investigation into the tourism sector
- FTC participates in Caribbean Advertising and Marketing Law Seminar
- FTC provides opinion to energy drink manufacturer

- FTC completes its review of the NMIA divestment
- FTC engages expert to strengthen competition advocacy efforts
- FTC participates in commercial banking sector study
- FTC Staff participates in international conferences
- FTC engages graduate students
- New entity to undertake the functions of the FTC and the CAC

FTC Participation in Workshop, Seminars & Interview

Jamaica Public Service Company (JPS) meeting with Customer Advocacy Groups

The FTC participated in meetings with the JPS and other agencies with responsibility for consumer affairs matters. The purpose of the interaction between JPS representatives and consumer advocates is to address customer service concerns with the view to improving the experience of JPS customers.

Office of the Public Defender

The Senior Legal Counsel made a presentation to the Office of the Public Defender on the FTC's roles and functions, anticompetitive agreements, abuse of dominance, misleading representation, and remedies for breaches of the FCA.

Radio Interviews - Nationwide

The Executive Director was interviewed on Nationwide radio where he discussed the FTC's roles & responsibilities under the FCA, its investigation procedures and Customer Service Charter.

International Cooperation

CARICOM Competition Commission (CCC)

As part of the CCC's internal review, the Executive Director had discussions with the CCC on their relationship with the FTC, their performance and work programs over the years. Also discussed were suggestions to increase technical capacity and effectiveness. Recommendations include addressing human resource deficiencies, information technology requirements; strengthening the legal & policy framework which includes obtaining sufficient funding from Member States; and staff training needs.

Review of the 2019 CCC Work Programme & Budget

The FTC reviewed the CCC's performance for the 2018 calendar year and its expenditure relative to its Budget and submitted an overview and opinion on the 2019 Work Plan and Budget of the CARICOM Competition Commission. The key points were:

- Plans outlined in the CCC's 2019 Work Programme are a continuation of previous plans designed to build on existing work and critical initiatives, namely advocacy, public education, and cooperation with key stakeholders in member states.
- It is critical that there be further discussions on the CSME Merger Policy, the CCC Rules of Procedure, and design and development of relevant provisions for incorporation into Chapter 8 of the RTC.
- The necessity for CARICOM to continue supporting the competition and consumer protection authorities in Guyana, Suriname and Trinidad & Tobago, as well as supporting the formalizing the requisite competition and consumer protection legislation and operational frameworks for Belize and the OECS Member States.
- Exploring markets for financial products and services throughout CARICOM as business and final consumers are seeking investment opportunities and value.

CARICOM Competition Network

The CARICOM Competition Network, the virtual 'association' for CARICOM Member States' agencies that have responsibility for competition law & policy, met several times during the year. Discussions included:

- The Multilateral Framework on Procedures in Competition Law Investigations and Enforcement, which is being led by the USA Department of Justice;
- A training & capacity building programme which is to be hosted/facilitated by the US FTC in 2019;
- Specific markets of interest to Member States. It was agreed that Barbados' poultry market and Jamaica's port services studies would be discussed further; and studies of the telecoms, cement and petroleum sectors should be undertaken by the CCC.

How robust is Competition in the CSME?

The FTC's paper to the MFAFT, discussed the state of competition within the CSME and the recent activities that the FTC is involved in. This includes:

- ongoing work with the Organization for Eastern Caribbean States (OECS) member states to have the OECS Member States enact competition and consumer protection legislation.
- remaining at the forefront of discussions with Government Departments of Member States as well as the CSME Unit of CARICOM and the CARICOM Competition Commission (CCC), towards facilitating the operationalization of Chapter 8 of the Revised Treaty of Chaguaramas (RTC).
- the FTC's current role as chair of the CSME Unit's Subcommittee of the Reconvened Task Force on Competition.
- modernizing the FCA by embarking on a consultancy to incorporate expressed pre and post merger review provisions into the FCA.

The objective of the Reconvened Task Force on Competition is to examine the jurisdictional, legal and financial implications of having national competition authorities established in all Member States together with the required support systems.

Post Brexit: Roll-over of the CARIFORUM-EU EPA into a CARIFORUM-UK trade agreement

The FTC commented on competition issues that would be implicated in competition related provisions that are expected to be included in a post Brexit agreement with CARIFORUM. The issues include cooperation agreements, dispute settlement and the usual prohibitory conduct or behavior such as abuse of dominance, anticompetitive agreements and mergers.

Draft Model Consumer Protection Regulations

The FTC participated in a UWI Cave Hill (Impact Justice Project) hosted discussion on the draft Model Consumer Protection Regulations for the CARICOM Model Consumer Protection Bill, 2016. Two Legal Officers made submissions on

- the state of Jamaica's Consumer Protection Act with respect to the CARICOM Model Consumer Protection Bill;
- the draft Regulations for the Model Consumer Protection Bill;
- suggestions for additional Regulations that ought to be drafted.

Latin America & Caribbean Competition Forum (LACCF)

The FTC contributed to discussions at the 2018 LACCF hosted by the Organization for Economic Cooperation & Development (OECD) by submitting a paper for the session entitled "*Informal Economy in Latin America & the Caribbean: Implications for Competition Policy*". The paper summarized information and data on Jamaica's informal economy, specifically, the types of firms in the informal sector and their impact on trade and competition. It also discussed the interface between the formal and informal sectors as well as methods used by the FTC in conducting investigations in which providers of goods and services operate primarily in the informal

economy. The paper also touched on the history and context of Jamaica's 'underground' economy, which is a significant part of our consumers' income stream.

The FTC also submitted to the CCC, information on Jamaica's informal economy, which was incorporated into the CCC's submission on the informal economy of several CARICOM countries.

Staff Training/Development & Institutional Strengthening

VIII Annual Meeting on Trade and Competition in Latin America and the Caribbean

Mr. Desroy Reid, Competition Analyst participated in the VIII Annual SELA Meeting for which the theme was *“Maritime Transport, Infrastructure & Port Services: Impact on Trade & Competition in the LAC.”* Participation was funded by the hosts.

The Meeting focused on the importance of maritime transport, infrastructure and port services to trade and competition. The Meeting also discussed the importance and impact of maritime transport, infrastructure and port services on trade and competition in Latin America and the Caribbean. Areas covered in the Conference included competitiveness & management of ports; anticompetitive practices in the sector; control of concentrations in the sector; challenges faced by Latin American and Caribbean countries in the fields of competition and regulation.

Information and lessons learned from the Meeting will inform the FTC's market study on port services.

WTO Workshop on Government Procurement and Governance

On November 13 to 15, 2018, the Executive Director participated in the WTO Workshop on Government Procurement and Governance, which was held in Geneva, Switzerland. The theme was *“Promoting Good Governance in Public Procurement Markets: Competition and Enforcement Dimensions and the Role and Relevance of the Revised WTO Agreement on Government Procurement (GPA)”*. Participation was funded in full by the WTO.

The key takeaways from the FTC's perspective were that:

- Several aspects of Government procurement policy can be strengthened using competition policy tools; with the end result being increased transparency, accountability and a more competitive environment in the relevant markets; and
- The FTC needs to collaborate with Jamaica's procurement entities and the relevant oversight bodies, to educate entities on their respective roles so that the benefits that are possible, and which have been experienced in many jurisdictions, may be realized.

Foundations for Competitiveness & Growth Project (FCGP)

Although the work on the Merger Review Framework was stalled, the Competition Advocacy Consultancy advanced significantly and a draft TOR for the proposed customized electronic Workflow and Case Management System was presented for approval.

Additionally, the World Bank Group Mission agreed to:

- a new consultancy for conducting a series of Merger Review workshops with Ministries Departments and Agencies, on the merger law when it has been approved; and
- funding for the customized electronic Workflow and Case Management System for use by the FTC, the CAC and the proposed new FTC/CAC entity.

Strengthening Competition Advocacy

Under the FCGP, international consultants LEAR Lab were contracted in June 2019, to increase the effectiveness of competition advocacy in Jamaica by proposing well-sequenced and gradual recommendations that the FTC may implement in order to increase the likelihood that its opinions and other interventions are accepted and/or implemented. LEAR Lab is a specialized economic consultancy firm, that offers a wide range of services in the field of competition policy and regulation. Their work included:

- assessing the effectiveness of the FTC's advocacy interventions;
- formulating measures to increase the effectiveness of competition advocacy in Jamaica; and
- building capacity within the FTC to support the implementation of the measures that are agreed upon.

LEAR Lab analysed the FTC's 48 advocacy initiatives for the period 2005-2017. These advocacy efforts covered key sectors including telecommunications, financial, energy, construction, health, agriculture, tourism, transportation, gaming, and education. LEAR Lab found that the FTC's interventions have been particularly successful in the telecommunications, agriculture, and construction sectors.

The Consultants hosted workshops with stakeholders, conducted an online Survey and held a series of one-on-one meetings with stakeholders from MDAs and the private sector. The reports were delivered: *"Report on FTC Advice, Opinions, Recommendations"*, *Report on Analysis of Effectiveness of Competition Advocacy and Recommendations based on the Analysis"*, and *"Report on the Advocacy Strategy"*. These reports include useful and practical recommendations for improving the FTC's effectiveness through a proposed advocacy strategy and implementation plan. This strategy was incorporated into the action plan for changing the FTC's approach to competition advocacy.

LEAR Lab also designed a Training Plan for the Staff, and held a 2-day Workshop in March 2019, where they discussed the recommended activities for implementing the Advocacy Strategy such as making presentations to several MDAs and formalizing information sharing arrangements.

ICT Upgrade

During the year, the FTC spent a total of \$3,721,747 on upgrading its information and communication technology environment. Specifically, improvements to the network

environment: \$1,460,998; purchase and installation of a new Switchboard: \$1,306,435; and upgrading the accounting software package: \$954,314.

Outsourcing Audit of Financial Statements

For at least 20 years the FTC's audited financial statements have been delayed by periods of up to three years. To remove this time lag the FTC has, for several years, been requesting that its financial statements be audited by a private auditing firm.

Accordingly, the FTC requested to be included in the Auditor General's Department (AuGD) outsourcing project. The AuGD subsequently confirmed that the FTC was on its listing of agencies for which an auditor was to be appointed; and advised that the procurement process for selecting an auditor should be completed in 2018. Up to the end of the 2018/2019 Financial Year, the FTC had not received confirmation of the appointment of an auditor.

Section 13 of the FCA stipulates that the FTC's audit be conducted by the AuGD or by any auditor approved by the AuGD.

Office Space

In September 2018, the FTC received a Notice to Vacate the Premises from Kingston Properties Limited, the owner of the building in which the FTC has been located since opening its doors in 1993. That address is 52-60 Grenada Crescent, Kingston 5; early in 2018, the FTC was advised that the building was sold to Kingston Properties Limited.

The search for new office space began immediately.

Staff Changes

Two long-standing Staff members, both Legal Officers, demitted office in the last quarter of the financial year. Mr Marc Jones who joined the FTC in April 2013 left in January 2019, and Ms Wendy Duncan who was employed in April 2000 left in February 2019.

The recruitment process for two Legal Officers commenced in December 2018.

Merger of the FTC and the Consumer Affairs Commission (CAC)

By way of Cabinet Decision No. 20/18, dated June 4, 2018, the FTC and the CAC were identified for merger and therefore the creation of a single public body to execute the functions of consumer protection and competition law enforcement. The Public Sector Transformation Unit (PSTU) of the Ministry of Finance & the Public Service (MFPS), was designated to facilitate the process of forming a new entity which has the functions and mandates of both the FTC and the CAC.

In December 2018, the FTC and the CAC discussed collaborating on recommending the most appropriate institutional and organization structure for the new entity. The FTC examined the Singapore and Australia authorities, both of which have oversight and enforcement powers for both competition policy and consumer protection.

In January 2019, a Steering Committee of the responsible Ministry was formed to guide the merger process. The Terms of Reference for the Committee stipulates that the Committee should comprise representatives of the FTC, CAC, Ministry and the PSTU; that subcommittees to oversee human resources/personnel, finance, change management and legal issues are to be formed; and that monthly meetings should be held.

The FTC recommended that an opinion be sought, to guide the integration of the duties, responsibilities, statutory obligations, and governance structures that are defined in the FCA and the Consumer Protection Act (CPA), for effective enforcement by the new entity. The FTC also recommended that a Consultant be hired to guide the process as the functional areas of both entities are highly technical and legal and are specialist areas for which there is international precedents.

The PSTU led discussions on several areas including:

- the stages of the merger process and the background information that guided the decision to create a new entity.
- the FTC's legislative framework, governance structure, internal processes, goals and objectives and current state of operations.
- operational and human resource matters including internal processes.

By the end of the 2018/2019 Financial Year, the Steering Committee had charted a pathway towards the ultimate objective and was awaiting the PSTU's recommendation of a proposed organizational structure.

ISO Certification

Progress towards achieving ISO status according to the 9001:2015 standard was stalled. The Staff completed preparatory training on conducting audits, as well as completed the draft Risk Analysis of Process Form and draft FTC ISO Quality Management System Manual.

In October 2018, work was stopped by the Ministry, due to the pending merger of the FTC and the CAC. It was noted that there would be new processes and procedures for the new entity.

Forecasts for 2019/2020

Key operating measures for 2019/2020

Media reports are suggesting that changes in the economic landscape will result in an increased number of consolidations of business enterprises in various industries. Accordingly, the FTC has been sharpening its tools and skills in assessing merging and acquisitions.

The FTC's primary focus for 2019/2020 will also include the following:

- Strengthening competition advocacy through formal relationships with several sector regulators; and by examining competition issues in regulated markets that impact significantly on consumer welfare.
- Strengthening of the competition legislation to include merger control/review. The FTC will continue its work on creating the most appropriate Merger Review Framework for Jamaica. The process will include stakeholder consultations with Government Ministries, Departments and Agencies that oversee mergers and acquisitions through different legislation which will co-exist with the proposed competition law.

Finances

Summary Statements of Finance

Table 1 provides a summary statement of the FTC's actual expenses during the 2018/2019 Financial Year, and two previous Financial Years. Also included is the Approved Budgetary Allocation for the review period.

Table 1: Approved Budget for 2018/2019 and Actual Expenses for Financial Years ended 2017, 2018 & 2019

Object	2018-2019 Approved (Ja \$)	2018-2019 Actual Expenses (Ja \$)	2017-2018 Actual Expenses (Ja \$)	2016-2017 Actual Expenses (Ja \$)
Compensation of Employees	74,698,000	65,182,978	70,540,817	57,802,087
Travel Expense & Subsistence	9,654,000	11,442,179	11,017,434	11,000,212
Rental of Building, Machinery & Equipment	10,811,000	12,040,982	9,422,102	9,132,440
Public Utility Services	2,700,000	2,920,500	2,292,226	2,189,966
Purchase of other Goods & Services	2,821,000	8,327,184	5,786,017	8,603,590
Asset Purchases	0	0	2,851,149	265,787
Total	100,684,000	99,913,823	101,909,745	88,994,082

Table 2: Approved Budget and Operating Income for Financial Years ended 2017, 2018 & 2019

	2018/2019	2017/2018	2016/2017
Approved Budget	100,684,000	99,953,000	91,662,507
Subvention Received	100,663,042	99,402,767	96,231,507
Other Income	27,598,662	2,499,658	1,644,365

Compensation

- Commissioners Compensation

Name and Position of Director	Fees (\$)	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle (\$)	Honoraria (\$)	All Other Compensation including NonCash Benefits as applicable (\$)	Total (\$)
Derrick McKoy Chairman	\$50,000 per month	0	0	0	600,000
Stuart Andrade Commissioner	\$27,500 per month	0	0	0	330,000
Robert Collie Commissioner	\$27,500 per month	0	0	0	330,000
Lloyd Waller Commissioner	\$27,500 per month	0	0	0	55,000
Dorothy Lightbourne	\$27,500 per month	0	0	0	275,000

- Senior Executive Compensation

Name and Position of Senior Executive	Salary (\$)	Gratuity or Performance Incentive (\$)	Traveling Allowance or Value of Assignment of Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Other Allowances (\$)	NonCash Benefits (\$)	Total (\$)
David Miller <i>Executive Director</i>	7,937,242	0	1,542,864	387,413	0	0	9,867,519
Ann-Marie Grant <i>General Manager</i>	6,279,110	0	1,542,864	321,211	0	0	8,143,185
Delroy Beckford <i>Senior Legal Counsel</i>	4,892,321	0	1,414,292	0	0	0	6,306,613
Kevin Harriott <i>Competition Bureau Chief</i>	6,843,160	0	1,542,864	326,832	0	0	8,712,856

The staff of the Commission

The staff of the Commission during the year April 1, 2018, to March 31, 2019

Executive Director	-	Mr. David Miller
General Manager	-	Miss Ann-Marie Grant
Senior Legal Counsel	-	Dr. Delroy Beckford
Competition Bureau Chief	-	Dr. Kevin Harriott
Legal Officer	-	Miss Wendy Duncan
Legal Officer	-	Mr. Marc Jones
Competition Analyst	-	Miss Verlis Morris
Competition Analyst	-	Mr. Desroy Reid
Accountant	-	Mr. Gregory McHargh
Research Officer	-	Mrs. Kristina Barrett-Harrison
Research Officer	-	Mr. Paul Cooper
Executive Secretary	-	Ms. Jean Lally
Senior Secretary	-	Miss Deborah Wilson
Clerk/Typist	-	Miss Shaniel Powell
Telephone Operator	-	Mrs. Monica Gayle
Office Attendant	-	Mrs. Carol Powell
Office Attendant	-	Miss Jemis Wilson
Driver	-	Mr. Alwyn Hutchinson

Fair Trading Commission

**Financial Statements
31 March 2019**

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INDEPENDENT AUDITORS' REPORT

To the Members of
Fair Trading Commission

9 Cargill Avenue
Kingston 10
Jamaica

T: 876 906 1658-9
F: 876 920 3226

Report on the Audit of the Financial Statements

Opinion

admin@bakertilly.com.jm
www.bakertilly.com.jm

We have audited the Commissioning financial statements of Fair Trading Commission ("the Commission") set out on pages 1 to 21, which comprise the statement of financial position as at 31 March 2019, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the Commission as at 31 March 2019 and of the results of operations, changes in equity and cash flows for the year then ended, and have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the Fair Competition Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Commission in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Fair Competition Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

The Commissioners are responsible for overseeing the Commission's financial reporting process.

ADVISORY • ASSURANCE • TAX

PARTNERS: Wayne Strachan; FCA;FCCA;MBA Emile Lafayette; FCA;FCCA;MBA PRINCIPAL: Roxiana Malcolm-Tyrell; FCA;FCCA;MBA

Baker Tilly Strachan Lafayette trading as BakerTilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Fair Trading Commission
Page 2

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Commission to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Fair Trading Commission
Page 3

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

Report on Additional Requirements of the Fair Competition Act

As required by the Fair Competition Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Fair Competition Act, in the manner so required.

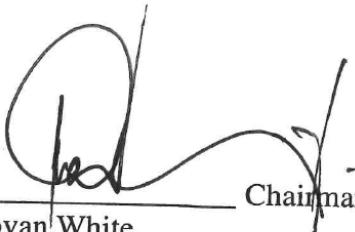

Baker Tilly
Chartered Accountants
Kingston, Jamaica
10 March 2022

Fair Trading Commission

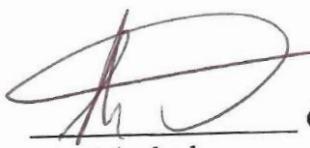
Statement of Financial Position As at 31 March 2019

	Note	2019	2018
		\$	\$
ASSETS			
Non-current asset			
Property, plant and equipment	5	7,135,846	8,779,880
		7,135,846	8,779,880
Current assets			
Tax recoverable		508,509	508,809
Receivables	6	28,436,986	1,741,085
Cash and cash equivalents	7	13,365,019	12,031,771
		42,310,514	14,281,665
TOTAL ASSETS		49,446,360	23,061,545
EQUITY AND LIABILITIES			
Equity			
GOJ Capital Fund	8	2,846,937	3,878,834
Accumulated surplus		35,754,207	9,565,997
		38,601,144	13,444,831
Current liabilities			
Payables	9	7,426,246	6,333,980
Statutory deductions	10	3,418,970	3,282,734
		10,845,216	9,616,714
TOTAL EQUITY AND LIABILITIES		49,446,360	23,061,545

Approved for issue on behalf of the Commissioners on 10 March 2022 and signed on its behalf by:



Donovan White Chairman



Stuart Andrade Commissioner

Fair Trading Commission

Statement of Comprehensive Income Year ended 31 March 2019

	Note	2019	2018
		\$	\$
Income			
GOJ Subvention	11	100,663,042	99,402,767
Appropriations-in-aid Fund	11	26,566,765	700,000
Other income	12	1,031,897	257,974
Total income		128,261,704	100,360,741
Operating expenses			
Compensation of employees	13	65,182,978	66,360,226
Travelling and transportation	14	11,442,179	10,479,493
Premises related expenses	15	12,040,982	9,387,467
Public utilities	16	2,920,500	2,709,680
Goods and services	17	8,327,184	9,670,158
Depreciation	5	2,117,525	944,656
Total operating expenses		102,031,348	99,551,680
Operating surplus	18	26,230,356	809,061
Finance (costs)/income, net	19	(42,146)	138,253
Net surplus for the year, being total comprehensive surplus		26,188,210	947,314

Fair Trading Commission

Statement of Changes in Equity

Year ended 31 March 2019

	Note	GOJ Capital Fund	Accumulated Surplus	Total
		\$	\$	\$
Balance at 31 March 2017		9,219	8,618,683	8,627,902
Grant recognised directly in equity, net	8	3,869,615	-	3,869,615
Surplus for the year		-	947,314	947,314
Balance at 31 March 2018		3,878,834	9,565,997	13,444,831
Amortization of grant	8	(1,031,897)	-	(1,031,897)
Surplus for the year		-	26,188,210	26,188,210
Balance at 31 March 2019		2,846,937	35,754,207	38,601,144

Fair Trading Commission

Statement of Cash Flows

Year ended 31 March 2019

	2019	2018
CASH RESOURCES WERE PROVIDED BY/(USED IN):	\$	\$
Cash Flows from Operating Activities		
Surplus for the year	26,188,210	947,314
Items not affecting cash resources:		
Depreciation	2,117,525	944,656
Amortization of grant received	(1,031,897)	(257,974)
Foreign exchange loss/(gain)	157,968	(27,214)
	<hr/>	<hr/>
	27,431,806	1,606,782
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(26,695,601)	1,704,430
Increase in current liabilities	1,228,502	286,292
Net cash provided by operating activities	<hr/>	<hr/>
	1,964,707	3,597,504
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(473,491)	(3,214,402)
Cash used in investing activities	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,491,216	383,102
Net effect of foreign exchange on cash and cash equivalent	<hr/>	<hr/>
Cash and cash equivalents at beginning of year	12,031,771	11,621,455
CASH AND CASH EQUIVALENTS AT END OF YEAR	<hr/>	<hr/>
Represented by:		
Cash and cash equivalents	<hr/>	<hr/>
	13,365,019	12,031,771

During 2018 fixed assets valued at \$4,127,589 were received through a grant from CARICOM. This grant along with the \$3,214,402 spent resulted in the \$7,341,991 noted as additions to fixed assets in note 5.

Fair Trading Commission

Notes to the Financial Statements 31 March 2019

1. Identification and principal activities

Fair Trading Commission (“the Commission”), domiciled in Jamaica with registered office at Unit 42A New Kingston Business Centre, 30 Dominica Drive, Kingston 5, is a Statutory Body established to enforce the Fair Competition Act, which was enacted in March 1993 and took effect on 9th September, 1993. The principal activity of the Commission is the investigation of business conduct to determine if the Fair Competition Act has been breached, and its mandate is to provide for the maintenance and encouragement of competition in the conduct of trade, business and in supply of services in Jamaica with a view to providing consumers with competitive prices and product choices.

These financial statements are presented in Jamaican dollars.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all the years presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

(a) Basis of preparation

These financial statements have been prepared in accordance with, and comply with, the International Public Sector Accounting Standards (IPSAS) and interpretations issued by the International Public Sector Accounting Standards Board (IPSASB). The IPSASB is an independent board of International Federation of Accountant (IFAC). IPSAS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (ISAB) and have been prepared under the historical cost convention, as modified by the valuation of certain items.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Commission’s accounting policies. Although these estimates are based on management’s best knowledge of current events and actions, actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Fair Trading Commission

Notes to the Financial Statements 31 March 2019

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Amendments to published standards effective in the current year that are relevant to the Commission's operations

New standards impacting the Commission that have been adopted in the annual financial statements for the year ended 31 March 2019, and which have given rise to changes in the Commission's accounting policies are:

IFRS 9, 'Financial instruments', replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated. As a result, the comparative information provided continues to be accounted for in accordance with the Commission's previous accounting policy. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 March 2018 but are recognised in the opening balance sheet on 1 April 2018.

IFRS 15, 'Revenue from Contracts with Customers', replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC – 31 Revenue – Barter Transactions involving Advertising Services. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

The adoption of IFRS 15 Revenue from Contracts with Customers from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 15 the Commission has elected to use the cumulative effect method and as such, comparative figures have not been restated. As a result, the comparative information provided continues to be accounted for in accordance with the Commission's previous accounting policy. The reclassifications and the adjustments arising from the implementation of the standard are therefore recognised in the opening balance sheet on 1 April 2018. The Commission has also elected to apply the new standard only to those contracts that are not considered complete contracts at the date of initial application.

Fair Trading Commission

Notes to the Financial Statements 31 March 2019

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards effective in the current year that are relevant to the Commission's operations (continued)

IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for annual periods beginning on or after 1 January 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipt are made. The guidance aims to reduce diversity in practice. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

The amendments did not result in any material effect on the Commission's financial statements.

Standards and amendments to published standards that are not yet effective and have not been early adopted by the Commission.

At the date of authorisation of these financial statements, certain new accounting standards, amendments and interpretation to existing standards have been issued which are not yet effective, and which the Commission has not early adopted. The Commission has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following may be relevant to its operations. Unless stated otherwise, the impact of the changes is still being assessed by management.

IFRS 16 'Leases', specifies how an IFRS reporter will recognise, measure, present and disclose leases. IFRS 16 was issued January 2016 and becomes effective 1 January 2019. It replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed.

Adoption of IFRS 16 will result in the Commission recognising right -of-use assets and lease liabilities for all contracts that are, or contain, a lease. The only exceptions are short-term (less than 12 months) and low-value leases. For leases currently classified as operating leases, under current accounting requirements the group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

Fair Trading Commission

Notes to the Financial Statements 31 March 2019

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards that are not yet effective and have not been early adopted by the Commission (continued)

IFRS 16 'Leases' (continued) The Commission will apply the standard from its mandatory adoption date of 1 January 2019. The Commission intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). Commitments relating to short-term leases and low value leases will be recognised on a straight-line basis as expense in profit and loss.

At 31 March 2019 operating lease expense amounted to \$11.8 million which is not expected to materially be different to the anticipated position on 31 March 2020 or the amount which is expected to be disclosed at 1 April 2019. However further work still needs to be carried out to fully determine the right-of-use assets and lease liabilities being recognised on April 1, 2019 and the resulting impact on the Commission's financial position and net profit after tax.

Instead of recognising an operating expense for its operating lease payments, the Commission will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. Operating cash flows will increase, and financing cash flows decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Commissioners anticipate that the adoption of the standards, amendments and interpretations, which are relevant in future periods, is unlikely to have any material impact on the financial statements.

Fair Trading Commission

Notes to the Financial Statements 31 March 2019

2. Summary of significant accounting policies (continued)

(a) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rate prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the exchange rate prevailing at the date of the statement of financial position, that is, in the case of each currency, the Bank of Jamaica weighted average buying and selling rates at that date. Gains and losses arising from fluctuations in exchange rates are reflected in the statement of comprehensive income.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis at rates to write off the carrying value of the assets over their expected useful lives. The rates used to write off the cost of assets are as follows:

Computer Equipment	25%
Furniture and Fixtures	10%
Motor Vehicles	25%

Depreciation methods, useful lives and residual values are reassessed annually. Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income. Repairs and maintenances are charged to the statement of comprehensive income during the financial period in which they are incurred.

(c) Receivables

Receivables are stated at their nominal value as reduced (where applicable) by appropriate allowances. When relevant, the Commission maintains an allowance for credit losses, which in management's opinion, is adequate to absorb all credit related losses in its portfolio.

(d) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short term deposits.

(e) Capital Fund

This fund represents capital grants received and is written off on a straight line basis over the life of the assets. An amount equivalent to the depreciation of the related assets are credited in the statement of comprehensive income.

(f) Provisions

Provisions are recognised when the Commission has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be determined.

Fair Trading Commission

Notes to the Financial Statements 31 March 2019

2. Summary of significant accounting policies (continued)

(g) Payables

Payables, including provisions, are stated at their nominal value. A provision is recognised in the statement of financial position when the Commission has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

(h) Vacation provision

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.

(i) Pension Scheme

The Commission operates a contributory pension scheme for its employees, with benefits based on the employees' earnings during recognized services. The Fund balance as at March 31, 2019 was \$168,722,278 (2018: \$173,101,021).

(j) Revenue recognition

Revenue represents subvention received from the Government of Jamaiaca and earning from the hosting of training courses and consultancy services.

Interest income:

Interest income is recognised in the profit and loss on all interest bearing instruments on an accrual basis using the effective interest rates.

(k) Taxation

No provision has been made for taxation, as the Commission is tax exempt under Section 51 of the Fair Competition Act as provided for by section 12(l) of the Income Tax Act of Jamaica.

Fair Trading Commission

Notes to the Financial Statements 31 March 2019

3. Financial risk management

The Commission's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk liquidity risk, capital and operational risks. The Commission's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Commission's financial performance.

The Commission's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Commission regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Commissioners are ultimately responsible for the establishment and oversight of the Commission's risk management framework. They provide written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

(a) 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. The risk is managed through adherence to staff loans and advances policy as well as maintaining good relationship with suppliers.

The Commission structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and prepayments.

While the other financial assets at amortised cost are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

At the Statement of Financial Position date, except for cash and cash equivalents, there were no other significant concentration of credit risk and the exposure to credit risk of these financial assets were considered immaterial.

Fair Trading Commission

Notes to the Financial Statements 31 March 2019

3. Financial risk management (continued)

(i) Liquidity risk

Liquidity risk is the risk that the Commission is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalent, the availability of funding through an adequate amount of Government subvention.

Liquidity risk management process

The Commission's liquidity management process includes:

- (i) Monitoring future cash flows and liquidity on a daily basis;
- (ii) Maintaining the requirements for Government Subvention;

Undiscounted cash flows of financial liabilities

The maturity profile of the Commission's financial liabilities at year end on contractual undiscounted payments was as follows:

	Within	1 to 3	3 to 12	1 to 5	Over 5	Total
	1 month	months	months	years	years	
	\$	\$	\$	\$	\$	\$
2019						
Accounts Payable	7,426,246	-	-	-	-	7,426,246
Statutory deduction	3,418,970	-	-	-	-	3,418,970
	10,845,216	-	-	-	-	10,845,216
2018						
Accounts Payable	6,333,980	-	-	-	-	6,333,980
Statutory deduction	3,282,734	-	-	-	-	3,282,734
	9,616,714	-	-	-	-	9,616,714

Assets available to meet all of the liabilities and to cover financial liabilities include cash and cash equivalents.

Fair Trading Commission

Notes to the Financial Statements 31 March 2019

3. Financial risk management (continued)

(c) Market risk

The Commission takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk exposures are measured using sensitivity analysis. There has been no significant exposure to market risks or the manner in which it manages and measures the risk.

(i) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of 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 the market interest rates. The Commission's interest rate risk arises from deposits.

(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 its foreign currency bank account in a reputable financial institution.

Fair Trading Commission

Notes to the Financial Statements 31 March 2019

3. Financial risk management (continued)

(d) Fair value estimates

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

The amount included in the financial statements for cash and cash equivalents, receivables, and payables reflect their approximate fair values because of the short-term maturity of these instruments.

(e) 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 assigning a markup of 10% for inflation in the budget. However, when there is a reduction in the budget the Commission institutes measures to deal with any shortfall.

(f) 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 objective 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.

(g) 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 31 March 2019

4. Critical accounting estimates and judgements in applying accounting policies

The Commission makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Commission uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Commission's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the Credit risk note.

(ii) Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Commission applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

(iii) Fair value of financial assets

The management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets adopting valuation techniques commonly used by market practitioners supported by appropriate assumptions (note 3(d)).

Fair Trading Commission

Notes to the Financial Statements 31 March 2019

5. Property, plant and equipment

	USAID Furniture, Fixtures & Equipment	GOJ Motor Vehicles	GOJ Office Furniture	GOJ Fixtures & Fittings	GOJ Computers	Total
	\$	\$	\$	\$	\$	\$
Cost -						
1 April 2017	876,678	1,640,861	1,083,317	4,597,963	11,887,038	20,085,857
Additions	-	-	206,238	1,156,384	5,979,369	7,341,991
31 March 2018	876,678	1,640,861	1,289,555	5,754,347	17,866,407	27,427,848
Additions	-	-	79,500	229,192	164,799	473,491
Disposal	-	-	(21,998)	-	(748,701)	(770,699)
31 March 2019	876,678	1,640,861	1,347,057	5,983,539	17,282,505	27,130,640
Depreciation -						
1 April 2017	876,678	1,640,861	934,258	3,326,999	10,924,516	17,703,312
Charge for the year	-	-	34,498	373,580	536,578	944,656
31 March 2018	876,678	1,640,861	968,756	3,700,579	11,461,094	18,647,968
Charge for the year			22,452	474,915	1,620,158	2,117,525
Relieved on disposal	-	-	(21,998)	-	(748,701)	(770,699)
31 March 2018	876,678	1,640,861	969,210	4,175,494	12,332,551	19,994,794
Net Book Value -						
31 March 2019	-	-	377,847	1,808,045	4,949,954	7,135,846
31 March 2018	-	-	320,799	2,053,768	6,405,313	8,779,880

Included in the additions for the year ended 31 March 2018 are assets valued at \$4,127,589 that were received through a grant from CARICOM. (Note 8).

Fair Trading Commission

Notes to the Financial Statements 31 March 2019

6. Receivables

	2019	2018
	\$	\$
GCT refund	422,932	422,632
Staff lunch receivables	31,042	62,310
Other receivables	26,466,766	-
Prepayments	1,516,246	1,256,143
	<u>28,436,986</u>	<u>1,741,085</u>

7. Cash and cash equivalents

	2019	2018
	\$	\$
Sagicor Bank Jamaica Limited-US	1,799,613	2,004,053
Sagicor Bank Jamaica Limited	11,559,406	10,021,718
Petty cash	6,000	6,000
	<u>13,365,019</u>	<u>12,031,771</u>

Cash at bank substantially comprise interest bearing savings and operating accounts held at a licensed commercial bank in Jamaica. The rate of interest earned on the Commission's bank accounts ranges from 0.1% to 0.6%.

8. GOJ Capital Fund

	2019	2018
	\$	\$
Balance at the beginning of year	3,878,834	9,219
Grant received-CARICOM	-	4,127,589
Amortization of grant (Note 12)	(1,031,897)	(257,974)
Balance at end of year	<u>2,846,937</u>	<u>3,878,834</u>

The FTC benefitted from a CARICOM grant funded project by receiving equipment valued at \$4,127,589.

During the year, the amount of \$1,031,897 (2018: 257,974) was credited to the statement of comprehensive income.

Fair Trading Commission

Notes to the Financial Statements 31 March 2019

9. Payables

	2019	2018
	\$	\$
Electricity	172,977	175,061
Audit fees accrued	2,357,340	1,529,060
Other payables	1,928,452	1,208,579
General Consumption Tax	1,522,235	1,435,059
Vacation leave accrued	1,445,242	1,986,221
	<u>7,426,246</u>	<u>6,333,980</u>

10. Statutory deductions

	2019	2018
	\$	\$
Statutory deduction- Fair Trading Commission	664,707	664,707
Statutory deduction- Ministry of Industry, Investment and Commerce	1,040,380	904,144
Interest and penalty on statutory deductions	1,713,883	1,713,883
	<u>3,418,970</u>	<u>3,282,734</u>

11. Income

The main income stream of the Commission is subvention received from the Government of Jamaica.

12. Other income

Other operating income comprises the following:

	2018	2017
	\$	\$
Amortization of capital grant (Note 8)	1,031,897	257,974
	<u>1,031,897</u>	<u>257,974</u>

Fair Trading Commission

Notes to the Financial Statements 31 March 2019

13. Compensation of Employees

	2019	2018
	\$	\$
Uniform allowance	41,040	44,289
Health and life insurance	2,861,802	2,824,307
Meals allowance	147,923	214,097
Overtime	273,407	275,778
Pension contribution	788,617	23,478
Salaries	58,876,231	60,091,979
Salaries (temp) and wages	1,870,896	1,905,450
Staff welfare	323,062	980,848
	65,182,978	66,360,226

As at 30 September 2018, the actuarial valuation of the pension scheme reflected a surplus. The Commissioners, based on the surplus noted in the valuation, approved a payment holiday of \$1,202,072 (2018: \$1,112,197) to Fair Trading Commission.

14. Travelling and transportation

	2019	2018
	\$	\$
Motor vehicle allowances	11,442,179	10,479,493
	11,442,179	10,479,493

15. Premises related expenses

	2019	2018
	\$	\$
Rental and maintenance of building	11,871,582	9,213,567
Other rental	169,400	173,900
	12,040,982	9,387,467

16. Utilities

	2019	2018
	\$	\$
Electricity	1,932,120	1,745,148
Telephone and internet	988,380	964,532
	2,920,500	2,709,680

Fair Trading Commission

Notes to the Financial Statements 31 March 2019

17. Goods and services

		2019	2018
		\$	\$
Professional services			
Advertising and public relations	(i)	1,088,774	184,060
Audit fee		828,280	828,280
Consultancy fees		640,772	698,500
Commissioners stipend		1,590,000	1,590,000
Legal fees		302,936	2,176,113
		<u>4,450,762</u>	<u>5,476,953</u>
Office and general expenses			
Computer software expenses		306,432	53,373
Drugs and first aid		17,234	200
Gift		6,990	16,573
Irrecoverable General Consumption Tax		1,518,226	1,659,093
Insurance		202,705	180,341
Meals		218,776	207,858
Postal and cable		60,140	60,460
Repairs and maintenance		466,337	426,937
Printing and stationery		438,411	727,834
Subscriptions		94,025	91,018
Text and reference books		17,550	45,289
		<u>3,346,826</u>	<u>3,468,976</u>
Motor vehicle expenses			
Petrol and oil		<u>287,137</u>	<u>315,090</u>
Miscellaneous expenses			
Bank charges		82,837	102,512
Cleaning and sanitation		159,622	306,627
		<u>242,459</u>	<u>409,139</u>
		<u><u>8,327,184</u></u>	<u><u>9,670,158</u></u>

(i) Advertising and public relations expense is net of income earned from advertisement sold in the FTC annual magazine.

Fair Trading Commission

Notes to the Financial Statements 31 March 2019

18. Operating surplus

The following have been charged in arriving at the operating surplus:

	2019	2018
	\$	\$
Audit fees	828,280	828,280
Depreciation	2,117,525	944,656
Commissioners stipend	1,590,000	1,590,000
Staff costs (Note 13)	<u>65,182,978</u>	<u>66,360,226</u>

19. Finance (costs)/income

	2019	2018
	\$	\$
Interest income	115,822	111,039
Foreign exchange (loss)/gains	<u>(157,968)</u>	<u>27,214</u>
	<u>(42,146)</u>	<u>138,253</u>