



Fair Trading Commission

2019/2020 Annual Report



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.

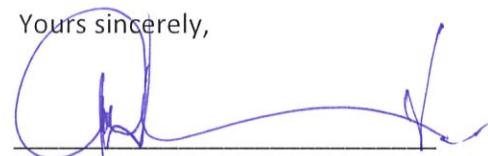
FAIR TRADING COMMISSION
Unit 42A, New Kingston Business Centre
30 Dominica Drive
Kingston 5

March 7, 2024

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 2019/2020 and a copy of the Financial Statements of the Commission's Accounts as at March 31, 2020, duly certified by the Auditors.

Yours sincerely,

Donovan White
Chairman

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Executive Director's Overview

The Financial Year started with the Staff launching investigations into two acquisitions in two different sectors. One in the gaming sector and the other in the petroleum sector. This signalled the Staff to 'sharpen our pencils' on techniques in conducting merger assessments. By the end of the Financial Year, we had investigated four acquisitions. The other two came into the market for insurance brokerage services and the ice market. In addition, during the Year, we completed two other notable investigations - an investigation into the Drug Serv Programme and one in the micro-loan sector.

The end of the Financial Year also saw the arrival of the novel coronavirus (COVID-19) pandemic in Jamaica. Jamaica was hit during the first week of March 2020, which affected our operations, work processes and focus. This change immediately impacted our outlook for the year that was to come. Health awareness and the need to protect the Staff were treated as a priority, and all else, including the work, was secondary. Work output slowed to a halt in March 2020, but we had already met our annual targets.

The Commission formalized relationships with three statutory agencies through Memoranda of Understanding (MOUs) as part of its competition advocacy framework. The MOUs are designed to formalize inter-agency collaboration and cooperation for sharing information to facilitate regulatory oversight and policy development within the context of the promotion of competitive markets.

Collaboration with other Ministries, Departments, and Agencies took the form of work with the Office of Utilities Regulation on the telecommunications market; and the Ministry of Science, Energy, and Technology on examining the cost inputs for haulage services in the Petroleum Sector to improve such services given present economic conditions.

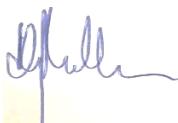
The work on creating a single public body to execute consumer protection functions and competition law enforcement progressed steadily through the Financial Year. Our parent Ministry, the Ministry of Industry, Commerce, Agriculture, and Fisheries (MICAF), formed a Steering Committee to manage the merger process for bringing the Fair Trading Commission's and the Consumer Affairs Commission's functions together under the guidance of the Ministry of Finance and the Public Service's Transformation Implementation Unit.

Through four Subcommittees, issues in formulating the legal framework and designing the change mechanisms were tackled. By the end of the Year, there was a clearer vision of bringing the functionalities together, but specific issues concerning the Staff's transition, the core functions of the FTC, and identifying

increased efficiencies remained muddy. As a result, the General Manager and I participated in numerous meetings of all Subcommittees.

Early in the Financial Year, the Commission signed a two-year lease agreement for office space in the New Kingston Business Centre in Kingston 5. With support from MICAF, the General Manager and I spent significant man hours between November 2019 and March 2020, managing the contractors hired to convert the empty office space into the Commission's new home. Notwithstanding the work stoppage caused by the pandemic in March, everything was in place for us to move into our new home in April.

I thank the Staff for putting in the extra time to assist with planning for the move and for coming together and being tolerant while keeping the work on their desks moving as we maintained the Commission's high-quality work products.

A handwritten signature in blue ink, appearing to read "D. Hall".

Executive Director
May 31, 2020

About the Fair Trading Commission

The Fair Trading Commission (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.

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 contains two broad categories of prohibitions, those dealing with anticompetitive behavior and those dealing with anti-consumer behavior. Regarding anticompetitive behavior, the FCA addresses abuse of a dominant position, agreements that substantially lessen competition, exclusive dealing, market restriction, resale price maintenance, tied selling, price-fixing, and bid-rigging. Regarding anti-consumer behavior, the FCA addresses misleading advertising, sale above advertised price, double ticketing, and the unavailability of goods advertised at a bargain price.

For its investigation, the FTC has the power to obtain any information that it considers necessary. Where the Court determines that the FCA has been breached, the FCA allows for a fine of up to JA\$5 million in the case of an enterprise and up to JA\$1 million in the case of an individual.

Governance

The FTC, then a portfolio agency of the Ministry of Industry, Commerce, Agriculture, and Fisheries (MICAF), is governed by a maximum of five Commissioners appointed by the Minister. The Executive Director is an ex-officio Commissioner who is appointed by the Commissioners.

During the period April 1, 2019, to March 31, 2020, the FTC was overseen by Dr. Derrick McKoy, as the Chairman, and Mr. Robert Collie, Mr. Stuart Andrade and Ms. Dorothy Lightbourne as Commissioners.

The Commissioners

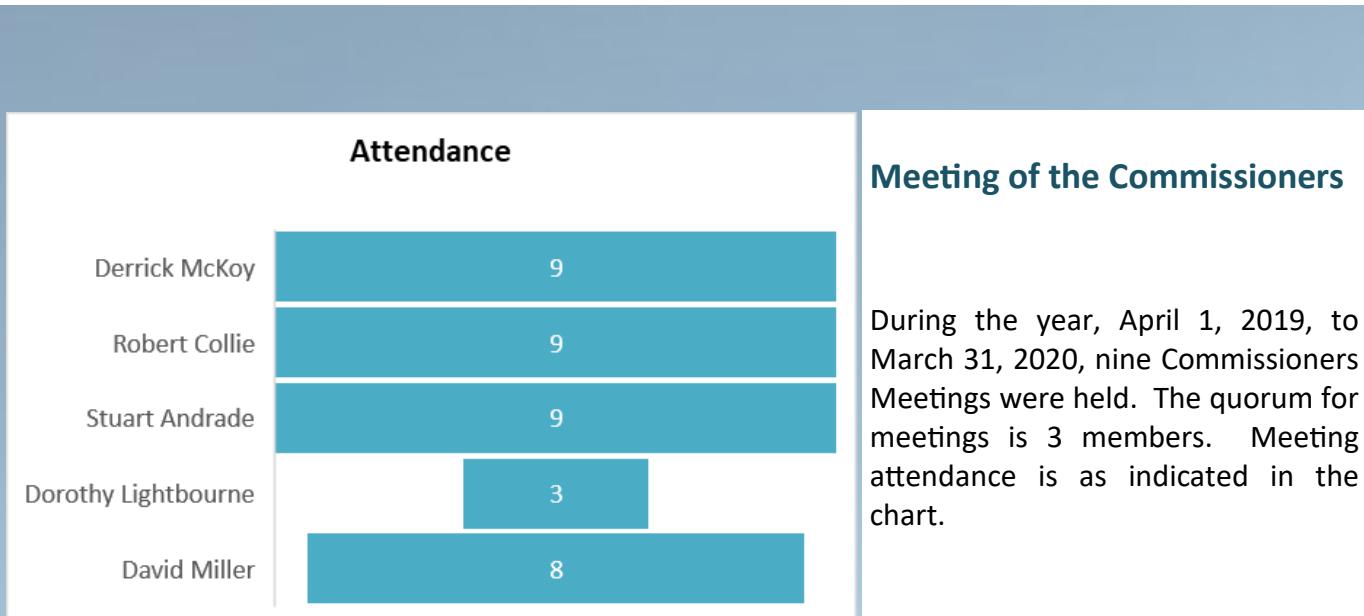
Dr. Derrick McKoy, CD (Chairman) is an attorney-at-law who is a former Contractor General of Jamaica and a former Dean of the Faculty of Law, University of the West Indies, Mona Campus.

Mr. Stuart Andrade has over 20 years of experience working in finance in various capacities, such as Assistant Financial Controller and Financial Analyst.

Mr. Robert Collie is an attorney-at-law and Justice of the Peace Mr. Collie is the past Chairman of the Natural Resources Conservation Authority Appeals' Tribunal.

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

Mr. David Miller was appointed Executive Director in November 2009 after serving as General Manager at the FTC for nine years.



Pending institutional change

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 creating a single public body to execute the functions of competition law and consumer protection 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 organization that has the functions and mandates of both the FTC and the CAC.

The Transformation Implementation Unit (TIU) of the MFPS presented its Organizational Review and Functional Profile, which included a proposed Organization Structure and Job Descriptions for the new entity. The FTC submitted its concerns and recommendations to the TIU. In summary, the FTC is of the view that several of the core functions of the FTC is not included in the proposed functional profile. Further, the “proposed structure and functionalities appear to create six (6) autonomous divisions that operate separately

with little interface or collaboration with other divisions in particular, in areas of responsibility that are common between divisions”; and that there are no new efficiencies to be had from the new organizations.

The MICAF formed a Steering Committee to manage the merger process and created Subcommittees to oversee human resources/personnel, finance, change management and legal matters. The Steering Committee and the Subcommittees comprised representatives of MICAF, the TIU, the FTC and the CAC.

During the year, the FTC's Executive Director and General Manager participated in numerous meetings of the Subcommittees.

Work in the Subcommittees progressed steadily throughout the year. The following table summarizes the FTC's contribution to the each Subcommittee's work as well as the critical activities that were completed by each Subcommittee.

Table 1: Summary of the work of FTC/CAC merger subcommittees

Subcommittee	Work Done
Legal	<p>The FTC conducted an analysis of legislation of four jurisdictions that have a single competition/consumer protection agency; and drafted the Legal subcommittee's report that compares the relevant provisions of 13 jurisdictions and identifies issues that ought to be considered in determining an appropriate institutional structure for the new merged entity.</p> <p>Additionally, we reviewed the Board or Commission oversight features of the four jurisdictions and made recommendations on the structure and functionalities for the Board/Commission of the new entity.</p> <p>The FTC made recommendations as to the administrative sections of the FCA that should be included in the legislation of the new entity, and the sections that are to be repealed. The Subcommittee decided on the sections of the FCA and the Consumer Protection Act (CPA) that are to be included in the legislation of the new entity and the sections that are to be repealed from both legislation. Work of the Subcommittee will inform the Cabinet Submission that the MICAF's Steering Committee is drafting.</p> <p>The Legal Committee drafted a list of activities, with estimated timelines, to bring the new legislation into being. The estimated completion time is eleven months from the date the draft Cabinet Submission is submitted to Cabinet.</p>
Change Management	<p>A Change Management Consultant was hired; and Staff surveys were conducted.</p> <p>Several Change Management seminars/workshops were held at which representatives of MICAF and the TIU presented the way forward to the Staff of the FTC and the CAC.</p> <p>One of the Change Management Workshops focused on preparing managers for guiding Staff through the change/transition process, recognizing that job losses, changes in individuals' job situations and changes in internal processes, are possibilities.</p> <p>The Consultant's Inception Report and results of the Change Management Survey were discussed with the Staff. It was agreed that for the state of readiness to be improved, the Staff needs to be made aware of several decisions related to job functionalities in the new entity, the form of transition into the new entity (eg. Through redundancy and recruitment, transfers or by a combination of both means) and pension.</p>
Human Resource	The FTC submitted documentation on the FTC's human resource and financial operations; the redundancy payment schedule for the Staff; a draft employment letter and draft Contract of Employment.
Finance	The FTC submitted the costs of redundancy payment.

The FTC's Response to COVID-19

During the first week of March 2020, countries across the world were affected by a global pandemic in the form of the novel coronavirus (COVID-19). This health crisis resulted in immediate changes in the administration, enforcement, and advocacy activities of competition authorities. The FTC was no different, and the pandemic impacted operations in several respects.

Firstly, the pandemic brought a different type of needs awareness to the Staff, and health awareness was treated as a priority. There was an immediate recognition that “to preserve the Staff is to preserve the FTC’s capacity” and an immediate need to protect the Staff’s health. With this in mind, by the end of the month, several initiatives to ensure continuity of work were being implemented, and others were being developed. Initiatives included:

- a work-from-home arrangement
- a monitoring tool to monitor tasks and work progress
- holding all meetings with Staff and external parties through a virtual platform

- reviewing existing work procedures and processes and implementing changes to conform with work requirements
- examining the information, communication and technology (ICT) infrastructure and implementing changes where necessary
- examining market developments and trends in other jurisdictions and the responses of other competition authorities. Where possible, tailor appropriate responses for Jamaica.
- developing appropriate measures to respond to and address complaints
- developing appropriate measures to protect competition while as best as possible, facilitating the security of supply, the public interest, and the benefit of consumers
- sharing information with CARICOM Member States.

In March the Minister of State and Permanent Secretary of the MICAF held meetings with the Heads of Agencies under its portfolio to provide information on the latest developments, operational directives and recommendations.

The FTC relocation

The FTC signed a three-year lease agreement for approximately 4,600 sq ft of office space located in the New Kingston Business Centre, 30 Dominica Drive, Kingston 5. The FTC had received a Notice to Vacate from its offices at 52-60 Grenada Crescent, Kingston 5, after being there since 1993.

The new office space was renovated and retrofitted between November 2019 and



March 2020; and relocation was scheduled for mid-April 2020.

At the end of the Financial Year, \$11.5 million was paid for retrofitting. It was projected that another \$4 million would be spent on the project and relocation expenses.

The FTC's tasks

Enforcing the Fair Competition Act

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 organizes its tasks to eliminate and prevent anti-competitive conduct and to promote competition in markets, thereby improving market efficiency and consumer welfare.

Accordingly, the FTC's primary tasks are to:

- Investigate allegations of anti-competitive business practices to challenge conduct that reduce competition and consumer welfare.
- Assess proposed mergers and acquisitions to prevent reduction in competition.
- Analyse markets and sectors to find anti-competitive practices or threats to competition.
- Advocate for pro-competitive policies and legislation to ensure that all market players operate in the same competitive and regulatory landscape.
- Educate and engage business community, consumers and policymakers on competition matters.

Control anti-competitive conduct

The primary prohibitions of the FCA dealing with eliminating and preventing anti-competitive conduct are those relating to the abuse of dominance and agreements that have as their purpose or effect the substantial lessening of competition.

Holding a dominant position is not prohibited. It is the abuse of that position that eliminates com-

petitors from the market or prevents potential competition that is prohibited. These conduct generally reduce consumer welfare.

Agreements between companies that prevent, hinder and distort competition are prohibited. These include agreements by trade associations among their members, and agreements on prices, strategic information, and customers.

Merger control

The FTC assesses mergers, acquisitions and joint ventures under section 17 of the FCA to determine whether the proposed transaction will likely lead to a substantial lessening of competition. If the transaction is likely to reduce competition, the FTC generally propose conditions that would prevent the reduction of competition in the affected markets.

Market studies

The FTC carries out market studies to gain a better understanding of the working of a sector and to determine whether there are anti-competitive practices or threats to competition.

Competition advocacy

Recognizing that legislation and policies can negatively affect competition, the FTC generally proposes and advocates for less restrictive existing or proposed legislation or policies to remove their distortive effect on competition.

Build a competition culture

To foster a culture of embedding competition as the catalyst for economic growth to the FTC educates and engages policymakers, decision-makers, businesses, and consumers on the benefits of competitive markets.

The FTC's tasks are aligned with Vision 2030 Jamaica



What is Vision 2030 Jamaica? Vision 2030 Jamaica is the country's first long-term strategic development plan and covers the 21-year period, 2009-2030. It embodies the plans and processes for the realization of a collective vision, encapsulated in the

statement: ***"Jamaica, the place of choice to live, work, raise families and do business."***



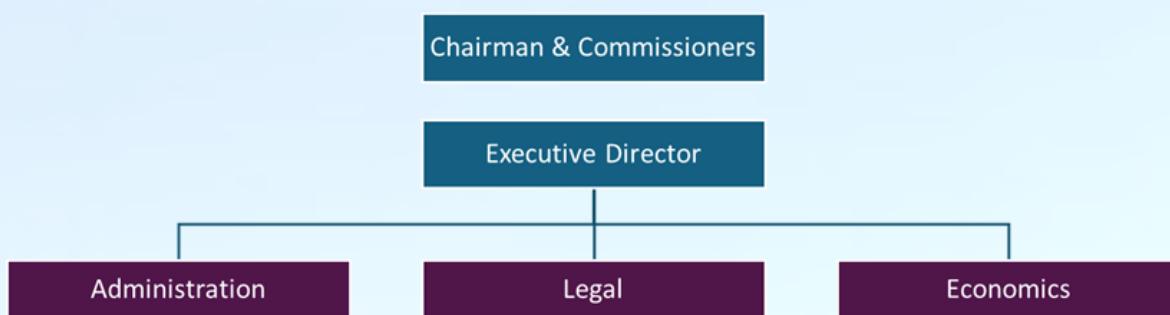
The FTC's tasks fall within:

National Goal #3: - Jamaica's economy is prosperous. National Outcome #8, an enabling business environment, and National Outcome #12, internationally competitive industry structures, are supported and enabled by the FTC's work, including in partnership with other entities.

Staff of the FTC

The FTC is headed by the Executive Director, who reports to the Chairman and Commissioners. The Executive Director is responsible for the operation of the FTC and is supported by a the technical staff comprising economists, attorneys, and research officers; and the administrative staff.

Under the guidance of the Executive Director, the technical staff (Legal and Economics) undertakes investigations, merger assessments, market studies, legislation and policy reviews, as well as public education and engagements.



Priority Issues

Enforcement

Pursuant to Section 17 of the Fair Competition Act, the FTC investigated several mergers and acquisitions in different sectors. The increasing number of mergers and acquisitions further underscored the need for a pre-merger notification regime, which would mean amending the FCA to include appropriate provisions.

Market Studies

Market studies give us an understanding of how markets work, are operating, and whether competition concerns exist. The FTC focuses on examining markets that significantly impact the economy. The studies earmarked for the year were assessing competition in the retail banking space and continuing the port services study.

Legislative Changes

The FTC continued its work on creating the most appropriate Merger Review Framework for Jamaica with discussions and comments with the MICAF and the Attorney-General's Chambers on the Draft Cabinet Submission for the Framework.

Among the issues considered were the current arrangements that oversee mergers and acquisitions contained in several entities and pieces of legislation and the likely interplay with the proposed competition law. For example, the Companies Office of Jamaica through The Companies Act 2005; the Financial Services Commission through the Securities (Take-Overs and Mergers) Regulations, 1999; the Jamaica Stock Exchange through the Jamaica Stock Exchange Rules; the Bank of Jamaica through the Bank of Jamaica Act and the Financial Institutions Act, the Proceeds of Crime Act and the Proceeds of Crime (Money Laundering Prevention) Regulations.

Other issues considered include the risks involved in establishing a Merger Division within the FTC in light of creating a new entity that will serve as both a competition authority and a consumer protection authority; and the human resource and financial implications of having a Merger Division.

In addition to the above priorities, the targets for the year included the following:

	Target	Actual
Number of Legislation or Policy Related Activities	8	12
<i>Initiate action into complaints within 5 days of receipt</i>	100%	100%
<i>Complaints Resolution rate</i>	75%	85%
<i>\$ benefit accrued from the markets that were investigated (in billions)</i>	\$3.48b	\$4.51b
<i># of Market Studies & advocacy activities</i>	32	21

Enforcement of FCA

Court Matter



Costs in FTC v Crichton Automotive Limited

Following on the rulings of the Supreme Court and the Court of Appeal in the matter of FTC v Crichton Automotive Limited, the FTC was awarded costs in both matters and sought to collect the sums.

The Legal Department reviewed the files for the Crichton Automotive Ltd. (CAL) matter in the Court of Appeal and revised and re-filed the Bill of Cost in the Court of Appeal in the sum of \$4.6 million. The costs in the Supreme Court matter were also reviewed and the Bill of Cost was amended and re-filed at \$1.8 million.

Attempts at negotiation with CAL towards agreeing on an amount that is to be paid to the FTC in respect of costs in both the Supreme Court and Court of Appeal proved futile. An agreement could not be reached as CAL's attorney offered \$2 million for both aspects, which was a far cry from the FTC's total costs of \$6.4 million.

Accordingly, it was agreed that the Court of Appeal portion of \$4.6 million will be taxed; and in June 2019, a Default Cost Certificate was obtained in respect of the Supreme Court amount of \$1.8 million. On July 10, 2019, the Commission filed an Order for Seizure & Sale, to obtain the \$1.8 million.

Case Background

On May 22, 2015, the Supreme Court delivered Judgment in the case of Fair Trading Commission v Crichton Automotive Limited. In its Judgment, the Court found that Crichton Automotive Ltd (CAL) is liable for misleading representation under section 37 of the Fair Competition Act (FCA).

The case had arisen upon the FTC's investigation into an allegation that CAL had misled a customer regarding the model year of a Nissan Sunny motor car. At the time of sale, the car was represented as a 2007 model. Still, the Island Traffic Authority and Fidelity Motors Limited, the authorized Nissan dealer in Jamaica, confirmed that the motor car was, in fact, a 2005 model.

The Court imposed a penalty of \$2 million against CAL for breach of the FCA; and awarded costs to the FTC. In doing so, the Court indicated that it was concerned that CAL had refused to take responsibility for the error. In that regard, there was evidence before the Court that even when CAL was presented with confirmation of the correct model year, it refused to resolve the matter, thereby making court action necessary.

Investigations of alleged anti-competitive conduct

Drug Serv Programme



Pursuant to a complaint from a private pharmacy owner, the FTC investigated whether the Public Sector Pharmacy Partner Programme administered by the National Health Fund via its Drug Serv pharmacies violated the Fair Competition Act (FCA). The investigation covered whether the Programme creates an unfair economic disadvantage for non-participating private pharmacies by channelling patients of public medical facilities to partner pharmacies; and whether the process of selecting pharmacy for inclusion in the Programme is sufficiently transparent and non-discriminatory.

The FTC concluded that the operation of the Public Sector Pharmacy Partner Programme does not breach any section of the FCA as it is unlikely to have the effect of substantially lessening competition in the relevant markets identified. Key observations supporting this conclusion are that (a) Drug Serv pharmacies are unlikely to be dominant; (b) the Programme is unlikely to harm private pharmacies in any material respect; and (c) patients with limited disposable income benefit significantly from the Programme.

Micro-Loan Sector

The FTC completed its investigation into Bank of Nova Scotia (BNS) termination of its banking services to Monaire Financial Services Ltd (MFS).

MFS provided micro-loans and competed directly

with at least six other providers in the county of Cornwall. Regarding collecting debt payments, MFS relied almost exclusively on BNS direct deposit service where payments are deducted from salary deposited to customers' accounts held at BNS. Accordingly, the FTC identified two markets relevant to assessing the competitive effects of the challenged conduct: (i) the market for loan collection services; and (ii) the market for micro-loans services.

The investigation revealed that most micro-loan enterprises use multiple methods in collecting outstanding debt payments. Specifically, micro-loan providers collect loan payments in-house and/or outsource collection to third party providers such as commercial banks and bill payment agencies. In doing so, these enterprises face lower risks of default.

The FTC concluded that while BNS conduct resulted in harm to MFS in the market for micro-loans services as it leads to a significant portion of non-performing loans, such harm can be mitigated, if not avoided, if MFS had incorporated a more diversified set of debt payment collection facilities currently available in the market.

Further, the FTC concluded that consumers in the market for micro-loans service are unlikely to be harmed as it did not restrict consumers' access to micro-loans from competing providers. As consumers and suppliers were not harmed, there is unlikely to be a breach of the FCA.



Assessment of mergers and acquisitions



Assessment of acquisition in the market for petroleum products

The FTC investigated the acquisition of Epping Oil Company and Epping Retail Limited (Epping), by Total Jamaica Limited (Total) and concluded that the acquisition agreements are unlikely to have the effect of a substantial lessening of competition in the petroleum market. The agreements were found to be not in breach of section 17 of the Fair Competition Act. Prior to the acquisition, Total (a multinational French-based energy company) and Epping (a Jamaican owned company) both sold petroleum products including automotive fuel and lubricants through branded service stations within several regions across the island.

Prior to the acquisition both Epping and Total par-

ticipated at the wholesale and retail level of the petroleum products industry. Other participants at the wholesale level included Petrojam, Gulfstream Petroleum SRL (Texaco), RUBiS Energy Jamaica Ltd, MZ Holdings Ltd (Cool Oasis), Future Energy Source Company Ltd (FESCO), Johnson's Petroleum Company Ltd and Jampet.

It must be noted that each wholesale supplier sells only to its respective retailers; for example, Texaco sells only to Texaco service stations. There are approximately 250 retail outlets where each retailer is supplied by only one wholesale or marketing company. Additionally, some retail outlets are owned by or are franchises of a marketing company. While there are 250 outlets, because of their locations, they do not all compete with each

other. The shorter the distance between two service stations the more likely they are to compete. The preliminary assessment revealed that the acquisition could raise competition concerns in seven regions in which Total Jamaica Limited and Epping Retail Limited operated. These regions are located in Half-Way-Tree, Maxfield (Little Kew Road), National Heroes Circle, Old Hope Road, White River, Black River and Port Antonio.

The level of competitiveness between the two companies in these regions were assessed and it was concluded that Total was less competitive in markets where Epping was present compared to markets in which Epping was absent. The data revealed that Total competed more intensely against the other multinational marketing companies compared to Jamaican-owned companies. These results indicate that Total did not face direct head-to-head competition from Epping.

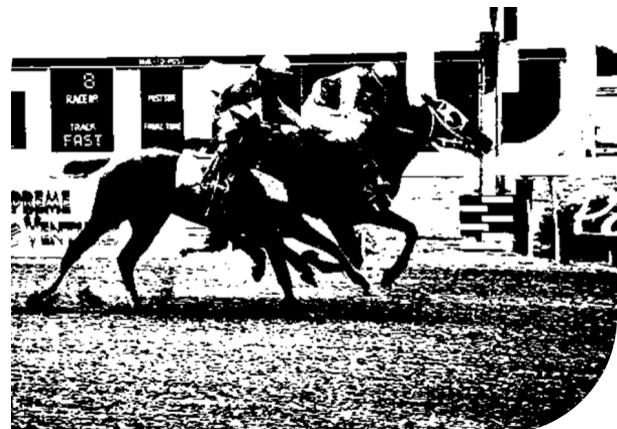


Insurance broker services

The FTC undertook a preliminary investigation into the acquisition of Key Insurance Company by Grace Kennedy Financial Group, and concluded that given the insignificant change in concentration levels of the market for general insurance, that is, before and after the acquisition, a more in-depth assessment of the competitive effects of the acquisition was not necessary.

This insignificant change in concentration signalled that neither consumers nor competition

were likely to be harmed. Therefore, the acquisition was unlikely to breach the FCA. Grace Kennedy's Group Chief Executive Officer was advised of the Staff's conclusion and was encouraged to inform the FTC of its merger plans at the earliest time and before consummation.



Bookmaking services

Following media reports of the acquisition, the FTC investigated Supreme Ventures Limited's (SVL) acquisition of Post to Post Betting Limited (PTP). It was concluded that the acquisition agreements are unlikely to have the effect of a substantial lessening of competition in the bookmaking services market. Therefore the parties would not be in breach of the FCA.

The effect of the agreements on competition was assessed in three markets: (i) betting services on sports events and virtual games; (ii) betting services on simulcast horseracing; and (iii) betting on services on local horseracing. While the FTC had no competition concerns regarding the first two markets, for the third market, the FTC had concerns about the potential for the discriminatory imposition of rights fee by SVL in favour of PTP and against competing players in the market. The FTC is however satisfied that the sector regulator, the Betting, Gaming and Lotteries Commission (BGLC), has the power to avert any such discriminatory conduct.

The acquisition resulted in a substantial change in market structure of the bookmaking services industry, as two of the island's largest bookmakers became one. Sales in the bookmaking services market, as reported by the BGLC in 2016/2017 was over J\$4.9 billion.



Ice industry

Following media reports the FTC investigated the acquisition of Pure National Ice Company Limited (PNICL) and Island Ice & Beverage Company Limited (IIBC), by Pure National Limited (PNL). We concluded that the acquisition agreements were not in breach of section 17 of the Fair Competition Act (FCA).

The preliminary assessment revealed that prior to the acquisition PNICL and IIBC competed under the brands Pure National Ice, Kingston Ice and Happy Ice. Both companies were major suppliers of ice and distributed ice at the wholesale and retail levels across Jamaica to hotels, supermarkets, restaurants and gas stations. The acquisition raised competition concerns as two major players in the ice industry came together under common control.

Concerning the effect of the agreements on competition, the FTC's investigation revealed that the

market for packaged ice is significantly more concentrated as a result of the agreements. This raised concern about PNL's ability to exercise market power, that is, its ability to increase prices to consumers and to adversely affect competition. However, such exercise of market power is unlikely as the conditions for market entry and expansion are sufficient to allow new players and existing competitors to constrain PNL.

Complaints handled

Over the period April 1, 2019 to March 31, 2020, the FTC investigated 139 complaints for breaches of the FCA and resolved 80 cases. Of the 139 complaints investigated, 92 of these cases were unresolved at the end of the previous financial year and 47 cases were received during FY 2019/2020.

Of the 47 complaints received, 43 per cent concerned matters in the telecommunication sector while the remaining 57 per cent of complaints were distributed across 14 industries. The complaints in the telecommunication sector concerned mainly misleading representation regarding data and talk plans. Consumers complained that services were advertised as 'unlimited' by the two major telecommunication providers, however, upon subscribing they discovered that the plans were not unlimited.

In addition to the complaints, the FTC responded to 289 requests for information from the public.



Market Study

Study on the level of competition within the Banking Sector

Menns SPRL, the Consultants who conducted a study on the level of competition within the banking sector under the direction of the FTC and the Bank of Jamaica (BOJ), submitted its Final Report. It was presented to several stakeholder groups including the Minister of Finance and the senior staff of the Ministry of Finance & the Public Service, the Jamaica Bankers Association, the Bank of Jamaica, the FTC's senior staff, and the Economic Growth Council.

The Study, a deliverable under the Government of Jamaica's agreement with the International Monetary Fund (IMF), discussed the main factors for relatively low competition outcomes in Jamaica.

It identified a number of ways in which the banking sector was not working well for customers, specifically for low-income individuals and SMEs. The reasons given were inadequate competition resulting from high barriers to entry and a difficult environment for innovative and smaller market players that could offer services to customers. Several policy recommendations in ten key areas were described, including:

- Creating an environment supportive of digital financial services
- Removing regulatory obstacles
- Potential interventions to enhance competition through targeted interventions regarding transparency and information,

switching guidelines, and account portability

- Monitoring the market through improved information and data collection

The Study provided direction on issues that inhibit competition without exploring the specific issues sufficiently. It alluded to the experience of other jurisdictions and best practices in strengthening competition within the space in which commercial banks operate.

The FTC will be digging deeper into these issues and will be undertaking a market study that examines the payment services aspect of commercial banking. The objectives of this study will be:

- Provide an overview of the payment services sector in Jamaica.
- Identify possible bottlenecks to competition such as weaknesses in the regulatory regime.
- Recommend ways in which stakeholders can improve the competitiveness of the system.

Competition Advocacy

Competition Advocacy

Competition advocacy refers to activities undertaken that relate to the promotion of a competitive environment utilizing non-enforcement mechanisms, mainly through relationships with other governmental entities. During the 2019/2020 year, some advocacy activities related to:

- The Telecommunications Markets
- Signing Memorandum of Understanding with several regulators
- Haulage Services in the Petroleum Sector
- The Benefits to Jamaica of having the CARICOM Competition Commission (CCC)

The Telecommunications Market

Upon the request of the Office of Utilities Regulation (OUR), the FTC submitted its comments on the OUR's Consultation Document "*Improving Information Transparency in Telecommunications Markets*". The FTC's comments focused on ways to improve transparency and availability of information to consumers; increased options/choices for consumers; and the establishment of a usage

cap that is set by post-paid customers for using service(s).

The FTC's complaints database was used to inform the submission wherein issues and problems described in complaints on the telecommunications sector over the three-year period 2016 to 2019 was used to support the suggestions.

FTC signs MOUs with statutory agencies

As part of its competition advocacy framework, the FTC formalized relationships with three statutory agencies through Memoranda of Understanding (MOUs). The MOUs are designed to formalize inter-agency collaboration and cooperation for the sharing of information to facilitate regulatory oversight and policy development, within the context of the promotion of competitive markets.

The FTC signed MOUs with the Bureau of Standards Jamaica, Betting, Gaming & Lotteries Commission, and Cannabis Licensing Authority. To broaden its advocacy scope, the FTC held discus-

sions with several other government bodies, intending to sign MOUs.

Concerning the Consumer Protection Framework for Deposit Taking Institutions, the FTC recommended that MOUs should be established between the Bank of Jamaica's (BOJ) new consumer protection division and the FTC and the Consumer Affairs Commission (CAC), as both the FTC and the CAC has significant expertise and experience in competition enforcement and consumer protection, respectively.

The Setting of Haulage Services Rates in the Petroleum Sector

Upon the request of the Ministry of Science, Energy & Technology (MSET), the FTC examined the competition implications of setting minimum rates for haulage services provided to marketing companies. The FTC advised the MSET that safety is of utmost importance in the petroleum industry and that all costs associated with making the products available to consumers should be included in the price for the products. Also, for there to be satisfactory distribution, there must be reliable and consistent transportation. One of the desired outcomes is that all Haulage Contractors should provide a consistent and sustainable service that gives due consideration to the safety of person, property, and the general public.

Given that the market is characterized by dominant purchasers (Marketing Companies), Haulage Contractors are price takers who typically are 'forced' to accept rates paid by the Marketing Companies.

The FTC recommended the establishment of minimum rates which would allow for more efficient use of resources and safeguard public welfare provided that there is an aggressive oversight body with responsibility for compliance. The oversight body would ensure that safety standards and human welfare components are appropriately addressed. Further, the minimum haulage rate should account for all operational costs and should be reviewed periodically to keep abreast of changes caused by inflation as well as world and local market conditions.

Norman Manley International Airport (NMIA) Concession Agreement

In the previous Financial Year, the FTC assessed having a single entity operate both the Norman Manley International Airport (NMIA) and the Sangster International Airport (SIA). The FTC's recommendations were accepted; and one of the

recommendations was the establishment of a monitoring and reporting mechanism to ensure that the competition policy related aspects of the Concession Agreement are adhered to by the management company, PAC Kingston Airport Ltd. Together with the Airports Authority of Jamaica (AAJ), the FTC drafted the monitoring and reporting mechanism.



The Benefits to Jamaica of having the CARICOM Competition Commission (CCC)

Upon the request of the Ministry of Foreign Affairs & Foreign Trade, the FTC explained the benefits of the CCC to Jamaica. The CCC is charged with the responsibility of investigating cross-border disputes arising from anticompetitive conduct that affects the operations of the single market as well as applying the rules of competition in promoting and protecting competition. These cross-border issues are determinable by the CCC after collaboration with the FTC and other competition agencies in the region. National competition agencies do not have the jurisdiction to deal with cross-border issues. The benefits include:

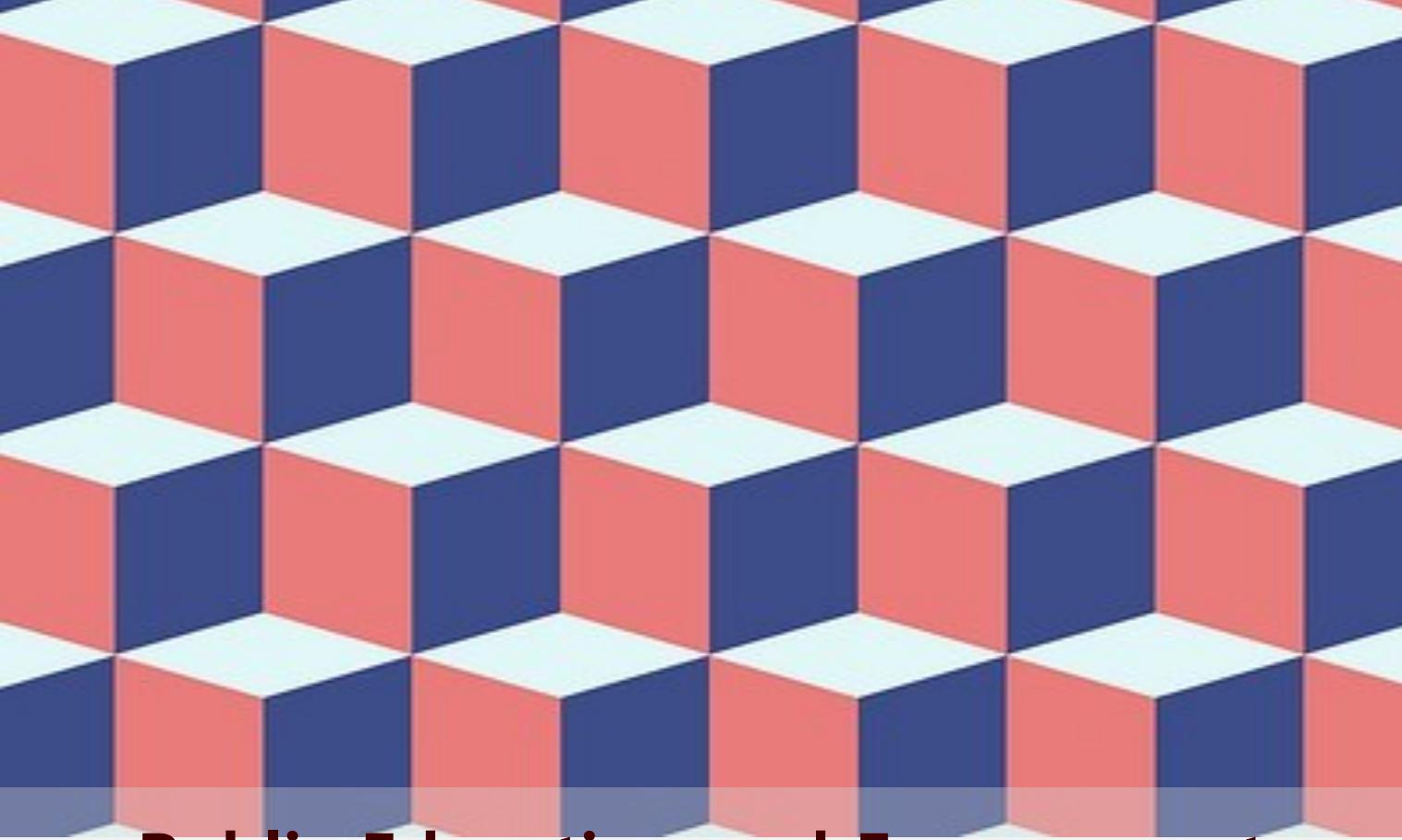
- Training and capacity building initiatives where the CCC facilitates the hosting of workshops and seminars in which Member States' national competition authorities such as the FTC participate.
- Strengthening Jamaica's competition culture primarily through sensitizing government Ministries, Departments and Agencies, the private sector, the judiciary, academia and media of the benefits of competition policy.
- Information sharing through for example, the CARICOM Competition Network (CCN) which is a virtual network of the region's national competition authorities and Ministry departments that are responsible for competition and consumer protection.
- Rules of Procedure/Statutory limitations. The CCC develops Rules of Procedure for conducting cross-border investigations and examines legislative and structural limitations or barriers that Member States may have, in carrying out their responsibilities.
- Addressing anticompetitive practices that are likely to arise from the effects of globalization. For example, increased merger activity between local or regional firms and multination-

al firms.

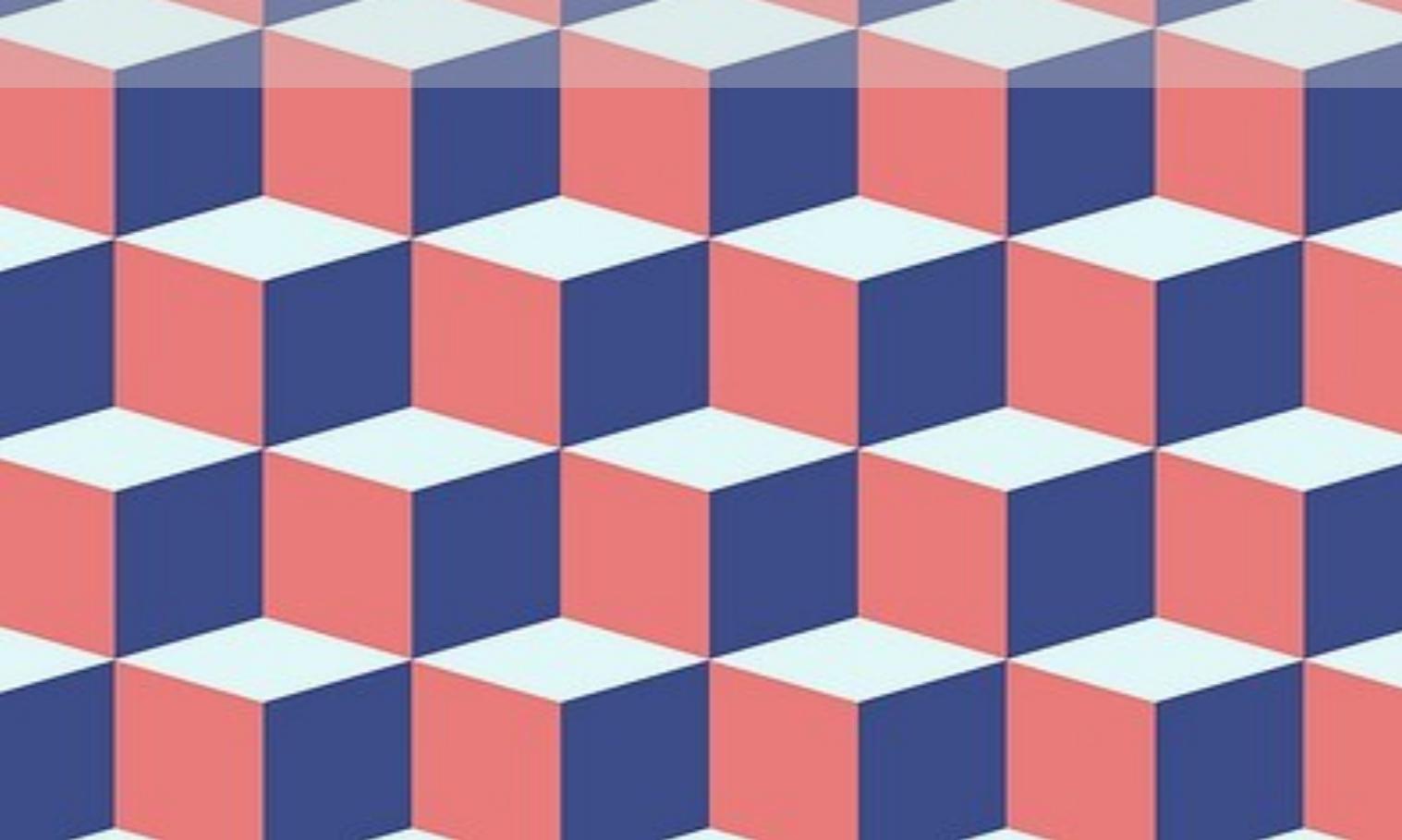
- Harmonization of all competition laws of the region which will result in increased competition among our regional trading partners, and which in turn will strengthen the region's global competitiveness.

Further, it is necessary that Jamaica continue to support the CCC and to assist in building its capacity so long as the implication of the CSME is that the region should be treated as a single market. Products from other CARICOM countries which are being marketed extensively in Jamaica include cement; a range of food and agricultural items; and services including banking, insurance, telecommunications and media content.





Public Education and Engagement



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.

Annual Magazine

The FTC published its annual magazine, *Compete*, the theme being “*The Future Reimagined*”. It comprised articles from four international experts and five articles from the Staff, as well as several news items on key FTC activities for the 2019 year.

The theme was based on the 2018 Cabinet Decision to create a new entity to undertake the functions of the FTC and CAC. Against this backdrop the magazine included articles from Mr. Russell W. Damtoft, Associate Director - Office of International Affairs, United States Federal Trade Commission entitled “*Competition and consumer protection: Better together?*”; Dr. Stephen Calkins, Professor of Law at Wayne State University, whose article was entitled “*Back to the Future*”; and Ms. Venessa Hall, Legal Officer of the FTC

whose article is entitled “*Best practices from an examination of competition models in other jurisdictions*”.

The magazine also included articles related to broadcasting rights and the use of technology in banking as well as capacity building initiatives within the FTC.



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 posted on the FTC's website www.iftc.gov.jm.

Newsletter

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 2019 and January 2020. The issues were emailed to over 750 persons, including representatives of the major television stations, newspapers, and radio stations. The newsletter describes some of the FTC's major investi-

gations and market studies, provides insights into the FTC's work and assists persons in better identifying issues that may pose competition concerns. The issues are available on the FTC's website at www.iftc.gov.jm.



Press Advisory on limitations on telephone service plans

In September 2019, the FTC issued a Press Advisory urging the public to be aware of limitations placed on “unlimited” plans by telecommunications companies Digicel Jamaica Limited (Digicel) and Flow Jamaica Limited (Flow) and to obtain full information on these plans prior to purchase.

The FTC is of the view that the use of the term ‘unlimited’ in promoting plans which have established caps on calls and/or data usage, could be misleading and therefore be in breach of Section 37 of the Fair Competition Act. Pursuant to several complaints, the FTC is conducting investigations into the various “unlimited” offerings.

Notably, Flow’s advertisements were specific to household customers and not business customers. The FTC also encouraged both service providers to provide more detailed information through their customer service touch points. For example, include on their websites an explanation of their Fair Usage Policy.

Coming out of the Press Advisory, the Executive Director was interviewed on the Northern Caribbean University’s radio talk show where discussions included the FTC’s investigation process and interpretation of the relevant provision of the FCA.



International Engagements

Competition Policy in the CARICOM Single Market Economy (CSME)

The FTC participated in discussions on the review of CARICOM’s Strategic Plan which included challenges in meeting several targets described in the Strategic Plan. The discussions focused on possible solutions to the challenges in meeting established targets set out in the Plan. With respect to the development of competition policy in the CSME, among the topics raised were the Merger Policy for the CSME; having national competition authorities for all Member States; and the acceptance of the consumer protection model law by the OECS Member States. These three areas are a part of CARICOM’s Strategic Plan and meeting the targets and objectives have been ‘slow in coming’.

The FTC submitted comments on the benefits to Jamaica and the region for establishing a Merger Policy for the CSME. The CSME Unit and the Member States agreed on several outstanding issues that have been delaying the finalization of the draft Policy. The objective is to submit the Policy to COTED for its consideration in 2020.

With regard the EPA Implementation, the FTC clarified the scope of jurisdiction of the FTC with respect to markets within Jamaican, specifically, that the FCA is applicable to the market for tourism services.

CARICOM Competition Commission (CCC)

The FTC reviewed and made recommendations on the legislative and policy changes required to give the CCC the authority to serve as the national competition authority for member states that do not have a functional competition agency. The FTC remains supportive of having the CCC undertake the role of national competition authority provided that relevant firewalls be created to separate the CCC's role as the regional competition authority from its role as a national competition authority for several member states.

Additionally, the FTC collaborated with the CCC on rolling out a consumer protection policy throughout the region through the implementation of the Model Bill by Member States and the setting of priority areas for national consumer organizations.

Review of the 2020 CCC Work Programme & Budget

The FTC reviewed the CCC's performance for the 2019 calendar year and its expenditure relative to its Budget and submitted an overview and opinion on the 2020 Work Plan and Budget of the CARICOM Competition Commission. The key points were:

- Plans outlined in the CCC's 2020 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.
- Increased focus on strengthening the organization through a review and possibly a revised organization structure as well as improving operational efficiencies and effectiveness. Implicitly there ought to be a review of internal policies, processes and procedures. In the year prior, the CCC strengthened its technical capacity through

the hiring of new staff, including an Executive Director and a Senior Legal Counsel.

- Notable specific activities include the online training programme on competition law, redeveloping the CCC website, collaboration with several regional institutions, including sector regulators and building on relationships with the private sector within the CSME.
- Strengthening the investigative functions as well as improving the monitoring functions through activities such as conducting market studies and increased capacity to investigate mergers. With increasing mergers, acquisitions and consolidations throughout the region that are likely to have cross-border effects, moving the CSME Merger Policy forward should be a priority item not only for the CCC but also for the CSME Unit of the CARICOM Secretariat. Decisions on the CSME Merger Policy should be made, the framework should be finalized and agreed upon, and a plan for implementation of these decisions should follow shortly thereafter. Meetings of the CARICOM Competition Network (CCN), which are coordinated and chaired by the CCC, have been beneficial to Jamaica as it provides useful information on market activities and studies being conducted in other member states that may impact on Jamaica's economy.
- Regional air transportation has long been an area of interest for the FTC as there is a need for increased competition in the sector and a wider range of choice for the citizens of the region. Therefore, appropriate market studies should be undertaken.



2019 International Competition Network Conference

The General Manager participated in the 2019 Annual Conference of the International Competition Network (ICN), held during May 15 to 17, 2019 in Cartagena, Colombia. The Conference, hosted by Colombian Superintendence of Industry and Commerce, featured discussions on investigative processes and competition issues and strategies related to the digital economy, innovation and market definitions. Accordingly, areas such as the assessment of dominance and optimal design of advocacy strategies in digital and high-tech sectors were discussed. Other highlights of the Conference include the application of competition law to issues arising in the creative and cultural economy.

A key aim of the ICN is to strengthen the technical capacity of competition agencies and the promotion of best practices in various areas of competition law enforcement and advocacy. This is evidenced from the vast number of comprehensive work products that have been produced by competition agencies and their partners over the year. In the session on ICN Implementation, the FTC presented on its use of ICN's products to advance effective competition law enforcement in Jamaica. For example, the use of the ICN Recommended Practices for Merger Notification and Review Procedures in informing the FTC's merger investigative process while Jamaica awaits the formal implementation of a modern pre-merger notification regime.



British High Commission's Market & Trade Visit

The Executive Director participated in the British High Commission's Market & Trade Visit, which brought together several UK based entities and Jamaican private and public sector bodies. The objective of the Trade Visit was to discuss regulatory issues that may be limiting trade between the UK and Jamaica. The FTC's proposed merger review regime and sensitization needs for key stakeholders was discussed with two London-based law firms.



Staff Development & Institutional Strengthening

Corporate Governance

The Executive Director participated in a consultation session aimed at developing a Corporate Social Responsibility Framework (CSRF) which is an aspect of the Corporate Governance Framework for Public Bodies. The objective of the CSRF is to facilitate public bodies operating in a socially, economically and environmentally sustainable manner that will benefit Jamaica. The session was hosted by the Ministry of Finance & the Public Service.

Merger Workshop for Competition Authorities in the Caribbean

Two Legal Officers participated in a Competition Law and Policy Merger Workshop for Competition Authorities in the Caribbean, on September 18 to 20, 2019. The workshop was organized by the CARICOM Competition Commission in collaboration with the United States Federal Trade Commission (USFTC). It was hosted by the Trinidad and Tobago Fair Trading Commission.

Under the guidance of Legal Counsels from the USFTC, the workshop participants discussed areas such as notification and review procedures; the applicable analysis framework; investigation planning as well as tools and techniques used in assessing mergers and acquisitions.

In recent times there has been several mergers, acquisitions and consolidations in different sectors within Jamaica as well as within the CARICOM Single Market. As the FTC is empowered to investigate mergers, it is necessary that it keep abreast of best practices in conducting assessments in different types of markets.

OUR Quality of Service Symposium

A Research Officer participated in the Office of Utilities Regulation's (OUR) Quality of Service Symposium. It included a presentation by the President of the Quality Management Consultancy Company Limited on a draft document entitled: *'The Codes of Practice for*

Complaints Handling'. This will form the basis of a guide to the utility providers.

There was also a panel discussion under the theme: Overcoming, Internal Challenge(s) in Customer Complaints Management, at which representatives of Digicel, Flow, JPS, NWC and the OUR giving their customer service views. The FTC reviewed the draft document and made recommendations to the process from the perspective of a competition enforcement agency that also accepts complaints from the general public.

Workshop on Presentation & Speaking Skills

A Competition Analyst and a Research Officer participated in a workshop geared at honing presentation and speaking skills. The objectives of the workshop were to (a) enlighten participants on ways to communicate effectively; (b) demonstrate to and educate participants on various methods of communication; and (c) provide an action plan to overcome barriers to communication.

SIPPA Seminar

A Legal Officer and a Competition Analyst attended the Security Interests in Personal Property Act (SIPPA) Seminar hosted by MCAF together with the World Bank Group and the International Finance Corporation. It dealt with the benefits and shortcomings of the SIPPA legislation.

Spectrum Pricing Policy Stakeholder Workshop

A Legal Officer participated in MSET's Spectrum Pricing Policy Stakeholder Workshop, at which regulators and private sector market participants were present. Discussions were led by an independent consultant of the International Telecommunications Union who made recommendations on several aspects of Jamaica's spectrum policy such as pricing and usage policy as well as the Spectrum Management Authority's functional responsibilities. With respect to competition policy, the consultant suggested that a market study be conducted.

New case management system

An assessment of the FTC's case and document management needs was undertaken by a Business Analyst, with a view to creating a new customized electronic case management system (ECM) that has functionalities similar to that of the existing case management system that has been in operation since 2003. Funding for the system was approved under the World Bank's Foundations for Competitiveness & Growth Project which is managed by the Planning Institute of Jamaica (PIOJ) and JAMPRO.

The Terms of Reference (TOR) for the proposed customized ECM was approved and by the end of

the Financial Year the procurement process for a systems developer was undertaken by the PIOJ.

In the next stage, scheduled for April 2020, the shortlisted firms (for a systems developer) will be invited to submit requests for clarification on the Terms of Reference and Business Requirements for the proposed ECM.

The new ECM is being developed for use by the FTC, the CAC as well as by the new organization that will be created to through the merger of the FTC and the CAC.

Focus for 2020/2021

The FTC's primary focus for 2020/2021 will include the following:

- Appropriately handling the effects of the COVID-19 pandemic and the negative impact that it has had on the FTC's operations, specifically, the level of efficiency and effectiveness.
- Improving competition in the mobile telecommunications market by strengthening the regulatory framework. This will require collaborating with the regulators, the Spectrum Management Authority, the Office of Utilities Regulation, and the Broadcasting Commission on factors that drive competition and service quality.
- Assessing mergers and acquisitions in a timely manner and in accordance with best practices. Changes in the economic landscape have resulted in an increased number of consolidations of business enterprises in various industries. The FTC has been developing its Merger Review Guidelines which are based on the Guidelines of mature jurisdictions.
- Strengthening the competition legislation by addressing weaknesses or gaps and including a merger review framework. Appropriate provisions have been drafted, and discussions are ongoing between the Office of the Chief Parliamentary Counsel, the Attorney General's Chambers, the MIIC, and the FTC to finalize the provisions.

Summary of Expenditure for 2019/2020

Table 2 provides a summary statement of the FTC's actual expenses during the 2019/2020 Financial Year, and two previous Financial Years. Also included is the Approved Budgetary Allocation for the review period.

Table 2: Approved Budget for 2018/2019 and Actual Expenses for Financial Years ended 2018, 2019 & 2020

Object	2019-2020 Approved (Ja \$)	2019-2020 Actual Expenses (Ja \$)	2018-2019 Actual Expenses (Ja \$)	2017-2018 Actual Expenses (Ja \$)
Compensation of Employees	70,609,000	73,926,857	65,182,978	66,360,226
Travel Expense & Subsistence	13,039,000	11,358,026	11,442,179	10,479,493
Rental of Building, Machinery & Equipment	15,165,000	21,738,910	12,040,982	9,387,467
Public Utility Services	3,000,000	2,827,697	2,920,500	2,709,680
Purchase of other Goods & Services	19,730,000	23,279,238	8,327,184	9,670,158
Asset Purchases	0	0	473,491	3,214,402
Total	121,543,000	133,130,728	100,387,314	101,821,426

Table 2: Approved Budget and Operating Income for Financial Years ended 2018, 2019 & 2020

	2019/2020	2018/2019	2017/2018
Approved Budget	121,543,000	100,684,000	99,953,000
Subvention Received	105,436,154	100,663,042	99,402,767
Other Income	1,031,897	27,598,662	2,499,658

Compensation

Commissioners

Table 3: Commissioners Stipend

Name and Position of Commissioner	Fees (\$)	Motor Vehicle Upkeep/ Travelling or Value of Assignment of Motor Vehicle (\$)	Honoraria (\$)	All Other Compensation including Non-Cash 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
Dorothy Lightbourne Commissioner	\$27,500 per month	0	0	0	330,000

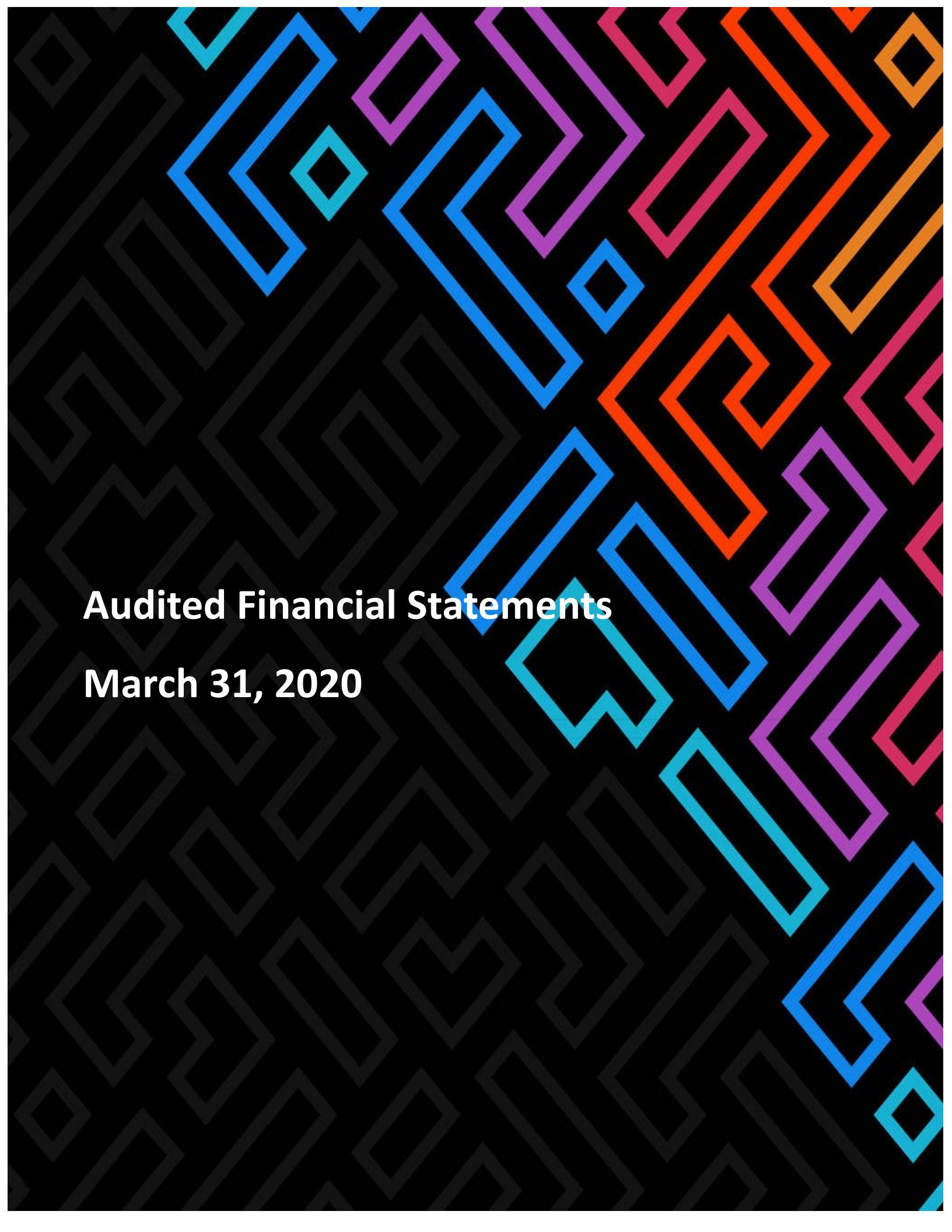
Senior Staff

Table 4: Management Staff Total Emoluments

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 Benefits (\$)	Non-Allowances (\$)	Cash Benefits (\$)	Total (\$)
David Miller <i>Executive Director</i>	8,140,478	0	1,704,548	407,004	0	0	0	10,252,030
Ann-Marie Grant <i>General Manager</i>	7,023,651	0	1,697,148	334,723	0	0	0	9,055,523
Delroy Beckford <i>Senior Legal Counsel</i>	1,521,249	0	552,859	0	0	0	0	2,074,108
Kevin Harriott <i>Competition Bureau Chief</i>	7,305,884	0	1,697,148	349,355	0	0	0	9,352,386

Staff of the Commission during the year April 1, 2019, to March 31, 2020

Executive Director	-	Mr. David Miller
General Manager	-	Miss Ann-Marie Grant
Competition Bureau Chief	-	Dr. Kevin Harriott
Senior Legal Counsel	-	Dr. Delroy Beckford
Legal Officer	-	Miss Venessa Hall
Legal Officer	-	Miss Michelle Phillips
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 Shaneil Powell
Telephone Operator	-	Mrs. Monica Gayle
Office Attendant	-	Miss Jemis Wilson
Driver	-	Mr. Alwyn Hutchinson

The background of the image features a dark, almost black, surface with a repeating pattern of light gray diamond shapes. Overlaid on this pattern are several large, semi-transparent diamond shapes in various colors: blue, cyan, magenta, orange, and red. These colored diamonds are arranged in a staggered, overlapping fashion, creating a sense of depth and movement. The colors are vibrant and stand out against the darker background.

Audited Financial Statements

March 31, 2020

9 Cargill Avenue
Kingston 10
Jamaica

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

INDEPENDENT AUDITORS' REPORT

To the Members of
Fair Trading Commission

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

Report on the Audit of the Financial Statements

Opinion

We have audited the Commissioning financial statements of Fair Trading Commission ("the Commission") set out on pages 1 to 19, which comprise the statement of financial position as at 31 March 2020, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements, give a true and fair view of the state of affairs of the Commission as at 31 March 2020 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 Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 Commissioners for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IPSAS 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Fair Trading Commission
Page 2

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and the Commissioners for the Financial Statements

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

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 ISSAIs 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 ISSAIs, 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.

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)

- 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.
- 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.

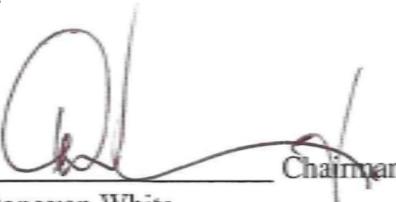

Chartered Accountants
Kingston, Jamaica
16 June 2022

Fair Trading Commission

Statement of Financial Position As at 31 March 2020

	Note	2020	2019
		\$	\$
ASSETS			
Non-current assets			
Property, plant and equipment	5	<u>15,772,894</u>	<u>7,135,846</u>
Current assets			
Tax recoverable		553,644	508,509
Receivables	6	3,728,525	28,436,986
Cash and cash equivalents	7	19,821,924	13,365,019
		24,104,093	42,310,514
TOTAL ASSETS		<u>39,876,987</u>	<u>49,446,360</u>
EQUITY AND LIABILITIES			
Equity			
GOJ Capital Fund	8	1,815,040	2,846,937
Accumulated surplus		7,729,261	35,754,207
		9,544,301	38,601,144
Current liabilities			
Payables	9	14,881,931	7,426,246
Statutory deductions	10	15,450,755	3,418,970
		30,332,686	10,845,216
TOTAL EQUITY AND LIABILITIES		<u>39,876,987</u>	<u>49,446,360</u>

Approved for issue on behalf of the Commissioners 16 June 2022 and signed on its behalf by:


Donovan White


Stuart Andrade
Commissioner

Fair Trading Commission

Statement of Comprehensive Income Year ended 31 March 2020

	Note	2020	2019
		\$	\$
Income			
GOJ Subvention	11	105,436,154	100,663,042
Appropriations-in-aid Fund	11	970,170	26,566,765
Other income	12	1,031,897	1,031,897
Total income		107,438,221	128,261,704
Operating expenses			
Compensation of employees	13	73,926,857	65,182,978
Travelling and transportation	14	11,358,026	11,442,179
Premises related expenses	15	21,738,910	12,040,982
Public utilities	16	2,827,697	2,920,500
Goods and services	17	23,279,238	8,327,184
Depreciation	5	2,529,034	2,117,525
Total operating expenses		135,659,762	102,031,348
Operating (deficit)/surplus	18	(28,221,541)	26,230,356
Finance income/(costs), net	19	196,595	(42,146)
Net (deficit)/surplus for the year, being total comprehensive (deficit)/surplus		(28,024,946)	26,188,210

Fair Trading Commission

Statement of Changes in Equity Year ended 31 March 2020

	Note	GOJ Capital Fund	Accumulated Surplus	Total
		\$	\$	\$
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
Amortization of grant	8	(1,031,897)	-	(1,031,897)
Deficit for the year		-	(28,024,946)	(28,024,946)
Balance at 31 March 2020		1,815,040	7,729,261	9,544,301

Fair Trading Commission

Statement of Cash Flows Year ended 31 March 2020

	2020	2019
CASH RESOURCES WERE PROVIDED BY/(USED IN):	\$	\$
Cash Flows from Operating Activities		
(Deficit)/surplus for the year	(28,024,946)	26,188,210
Items not affecting cash resources:		
Depreciation	2,529,034	2,117,525
Amortization of grant received	(1,031,897)	(1,031,897)
Foreign exchange (gain)/loss	(63,775)	157,968
Interest income	(132,820)	(115,822)
	<u>(26,724,404)</u>	<u>27,315,984</u>
Changes in operating assets and liabilities:		
Decrease/(increase) in receivables	24,708,461	(26,695,601)
Increase in current liabilities	19,487,470	1,228,502
Cash provided by operating activities	<u>17,471,527</u>	<u>1,848,885</u>
Interest paid	132,820	115,822
Taxation paid	(45,135)	-
Net cash provided by operating activities	<u>17,559,212</u>	<u>1,964,707</u>
Cash Flows from Investing Activity		
Purchase of property, plant and equipment	(11,166,082)	(473,491)
Cash used in investing activity	(11,166,082)	(473,491)
Net increase in cash and cash equivalents	<u>6,393,130</u>	<u>1,491,216</u>
Net effect of foreign exchange on cash and cash equivalents	63,775	(157,968)
Cash and cash equivalents at beginning of year	<u>13,365,019</u>	<u>12,031,771</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>19,821,924</u>	<u>13,365,019</u>
Represented by:		
Cash and cash equivalents	<u>19,821,924</u>	<u>13,365,019</u>

Fair Trading Commission

Notes to the Financial Statements 31 March 2020

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 IPSAS 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 2020

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

There were no new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year that is relevant to the company's operations.

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

IPSAS 41: Financial Instruments, (effective for annual periods beginning on or after 1 January 2023) substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29: Financial instruments: recognition and measurement, and improves that standard's requirements by introducing:

- (a) Simplified classification and measurement requirements for financial assets;
- (b) A forward-looking impairment model;
- (c) A flexible hedge accounting model.

Fair Trading Commission

Notes to the Financial Statements 31 March 2020

2. Summary of significant accounting policies (continued)

(b) 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.

(c) 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. Leasehold improvements are depreciated on a straight-line basis over the period of the lease term. The rates used to write off the cost of assets are as follows:

Computer Equipment	25%
Furniture and Fixtures	10%
Motor Vehicles	25%
Leasehold improvements	20%

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.

(d) 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.

(e) 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.

(f) 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.

(g) 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 2020

2. Summary of significant accounting policies (continued)

(h) 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.

(i) 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.

(j) 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, 2020 was \$163,550,449 (2019: \$168,722,278).

(k) Revenue recognition

Revenue represents subvention received from the Government of Jamaican 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.

(l) 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 2020

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 IPSAS 41, 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 2020

3. Financial risk management (continued)

(b) 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 month	1 to 3 months	3 to 12 months	1 to 5 years	Total	Carrying amount
	\$	\$	\$	\$	\$	\$
2020						
Accounts payable	14,881,931	-	-	-	14,881,931	14,881,931
Statutory deduction	<u>15,450,755</u>	-	-	-	15,450,755	15,450,755
	<u>30,332,686</u>	-	-	-	30,332,686	30,332,686
2019						
Accounts payable	7,426,246	-	-	-	7,426,246	7,426,246
Statutory deduction	<u>3,418,970</u>	-	-	-	3,418,970	3,418,970
	<u>10,845,216</u>	-	-	-	10,845,216	10,845,216

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 2020

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 2020

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 2020

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 2020

5. Property, plant and equipment

	USAID Furniture, Fixtures & Equipment	GOJ Motor Vehicles	GOJ Office Furniture	GOJ Fixtures & Fittings	GOJ Computers	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$	\$
Cost -							
1 April 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
Disposals	-	-	(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
Additions	-	-	-	-	-	11,166,082	11,166,082
31 March 2020	876,678	1,640,861	1,347,057	5,983,539	17,282,505	11,166,082	38,296,722
Depreciation -							
1 April 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 2019	876,678	1,640,861	969,210	4,175,494	12,332,551	-	19,994,794
Charge for the year	-	-	37,629	326,793	1,606,308	558,304	2,529,034
31 March 2020	876,678	1,640,861	1,006,839	4,502,287	13,938,859	558,304	22,523,828
Net Book Value -							
31 March 2020	-	-	340,218	1,481,252	3,343,646	10,607,778	15,772,894
31 March 2019	-	-	377,847	1,808,045	4,949,954	-	7,135,846

Fair Trading Commission

Notes to the Financial Statements 31 March 2020

6. Receivables

	2020	2019
	\$	\$
GCT refund	249,610	422,932
Staff lunch receivables	35,901	31,042
Rental deposit	1,833,216	-
Other receivables	1,609,798	27,983,012
	<hr/>	<hr/>
	3,728,525	28,436,986

7. Cash and cash equivalents

	2020	2019
	\$	\$
Sagicor Bank Jamaica Limited-US	1,627,166	1,799,613
Sagicor Bank Jamaica Limited	18,188,758	11,559,406
Petty cash	6,000	6,000
	<hr/>	<hr/>
	19,821,924	13,365,019

Cash at bank substantially comprise interest bearing savings and current 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

	2020	2019
	\$	\$
The movements during the year were as follows:		
Balance at the beginning of year	2,846,937	3,878,834
Amortization of grant (Note 12)	(1,031,897)	(1,031,897)
Balance at end of year	<hr/>	<hr/>
	1,815,040	2,846,937

In 2018, 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 (2019: 1,031,897) was credited to the statement of comprehensive income.

Fair Trading Commission

Notes to the Financial Statements 31 March 2020

9. Payables

	2020	2019
	\$	\$
Electricity	765,535	172,977
Audit fees accrued	3,185,620	2,357,340
Other payables	6,892,499	1,928,452
General Consumption Tax	2,038,214	1,522,235
Vacation leave accrued	2,000,063	1,445,242
	<u>14,881,931</u>	<u>7,426,246</u>

10. Statutory deductions

	2020	2019
	\$	\$
Statutory deduction- Fair Trading Commission	5,010,977	664,707
Statutory deduction- Ministry of Industry, Investment and Commerce	985,453	1,040,380
Interest and penalty on statutory deductions	9,454,325	1,713,883
	<u>15,450,755</u>	<u>3,418,970</u>

11. Income

The main income streams of the Commission are subventions received from the Government of Jamaica and the net amount transferred to the Consolidated Fund account from settlements received.

12. Other income

Other operating income comprises the following:

	2020	2019
	\$	\$
Amortization of capital grant (Note 8)	1,031,897	1,031,897
	<u>1,031,897</u>	<u>1,031,897</u>

Fair Trading Commission

Notes to the Financial Statements 31 March 2020

13. Compensation of Employees

	2020	2019
	\$	\$
Uniform allowance	44,460	41,040
Health and life insurance	3,243,479	2,861,802
Meals allowance	311,703	147,923
Overtime	308,509	273,407
Pension contribution	2,285,115	788,617
Salaries	65,603,412	58,876,231
Salaries (temp) and wages	2,016,009	1,870,896
Staff welfare	114,170	323,062
	<hr/>	<hr/>
	73,926,857	65,182,978

The Commissioners, based on the pension surplus noted in the valuation, approved a payment holiday of \$1,202,072 to the Fair Trading Commission in 2019. There was no payment holiday in 2020.

14. Travelling and transportation

	2020	2019
	\$	\$
Motor vehicle allowances	11,144,487	11,442,179
Travelling	213,539	-
	<hr/>	<hr/>
	11,358,026	11,442,179

15. Premises related expenses

	2020	2019
	\$	\$
Rental and maintenance of building	21,554,110	11,871,582
Other rental	184,800	169,400
	<hr/>	<hr/>
	21,738,910	12,040,982

16. Utilities

	2020	2019
	\$	\$
Electricity	2,047,247	1,932,120
Telephone and internet	780,450	988,380
	<hr/>	<hr/>
	2,827,697	2,920,500

Fair Trading Commission

Notes to the Financial Statements 31 March 2020

17. Goods and services

		2020	2019
		\$	\$
Professional services			
Advertising and public relations	(i)	121,989	1,088,774
Audit fee		828,280	828,280
Consultancy fees		1,187,778	640,772
Commissioners stipend		1,590,000	1,590,000
Legal fees		4,540,526	302,936
		<u>8,268,573</u>	<u>4,450,762</u>
Office and general expenses			
Computer software expenses		-	306,432
Drugs and first aid		18,516	17,234
Gift		-	6,990
Irrecoverable General Consumption Tax		5,095,583	1,518,226
Insurance		254,903	202,705
Interest and penalties		7,740,442	-
Meals		396,811	218,776
Postal and cable		216,400	60,140
Repairs and maintenance		337,920	466,337
Printing and stationery		518,057	438,411
Subscriptions		97,811	94,025
Text and reference books		88,611	17,550
		<u>14,765,054</u>	<u>3,346,826</u>
Motor vehicle expenses			
Petrol and oil		<u>46,100</u>	<u>287,137</u>
Miscellaneous expenses			
Bank charges		89,775	82,837
Cleaning and sanitation		109,736	159,622
		<u>199,511</u>	<u>242,459</u>
		<u>23,279,238</u>	<u>8,327,184</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 2020

18. Operating (deficit)/surplus

The following have been charged in arriving at the operating (deficit)/surplus:

	2020	2019
	\$	\$
Audit fees	828,280	828,280
Depreciation	2,529,034	2,117,525
Commissioners stipend	1,590,000	1,590,000
Staff costs (Note 13)	<u>73,926,857</u>	<u>65,182,978</u>

19. Finance income/(costs), net

	2020	2019
	\$	\$
Interest income	132,820	115,822
Foreign exchange gains/(loss)	<u>63,775</u>	<u>(157,968)</u>
	<u>196,595</u>	<u>(42,146)</u>

20. Contingencies

Coronavirus (COVID-19)

The World Health Organisation declared the Coronavirus (COVID-19) outbreak a pandemic due to its rapid spread across the globe. Jamaica has been affected by the outbreak, which resulted in the Government of Jamaica declaring Jamaica a disaster area on March 13, 2020. This has disrupted business operations, causing a downturn in the economy and significantly increased economic uncertainty. However, the impact the pandemic has on Fair Trading Commission for the audited period ended 31 March 2020 is still undergoing assessment.

The Commission will continue to follow the various government policies and advice, as well as do their utmost care to continue operations without risking the health of their employees.