

भारतीय प्रतिस्पर्धा आयोग Competition Commission of India



Overview of Indian Competition law

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Disclaimer: Views expressed herein during the presentation are personal and do not necessarily reflect those of the Commission. Data/information has been gratefully taken from various sources and self discretion should be exercised before using the same.



What is Competition



Branch of Economic law to regulate the conduct of enterprises/market participants and ensure that producer of goods and services compete fairly with each other.

Not defined in the Competition Act, 2002.





Competition Law in International Jurisdictions

- Canada- 1889
- U.S.A- 1890
- European Union 1957
- Brazil- 1994
- South Africa- 1998
- India-2003 (1970 (MRTP Act))
- Russia- 2006
- China -2008
- More than 130 jurisdictions...ICN





Evolution in India

Monopolies and Restrictive Trade Practices Act 1969 (MRTP Act)

The liberalized economy post 1991

- Comprehensive economic reforms since 1991 (Monetary policy; Fiscal policy; Trade and Investment policies)
- Channels of interaction between competition and economy were getting uncovered
- Shift in Development paradigm to Liberalisation, privatisation and globalisation paved the way for market forces to play its role.
- Policy approach shifted from controlling monopolies to promoting competition
- Developing countries now form the majority of jurisdictions that have enacted competition law statutes.



Contd.



❖Finance Minister Budget Speech (Union budget 1999-2000)

The MRTP Act has become obsolete in certain areas in the light of international economic developments relating to competition laws. We need to shift our focus from curbing monopolies to promoting competition."

- **SVS** Raghavan Committee Report 2000
- Competition Act, 2002
- *Amendments in 2007, 2009 & 2017.
- *Enforcement and substantive provisions notified in phases in May, 2009 and June, 2011



MRTP Act and Competition Act



MRTP Act, 1969	Competition Act, 2002
Objective	Objective
 Prevention of concentration of economic power 	Promote and sustain competition,
 Prohibition of monopolistic, restrictive and unfair trade practices. 	 Protect the interests of consumers and ensure freedom of trade carried on by other participants, in markets in India. Goal To Promote Competition
Goal To Control Monopolies	
Dominance per se is bad	Abuse of dominance is bad
No provision for regulation of	Regulations of mergers & acquisitions
mergers and acquisitions	(Combinations)



Contd.



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Some Competition Facilitators

- Economic Liberty
- Rule of Law
- Level Playing Field
- Competition Neutrality
- International Competition
- Ease of Doing Business
- External Finance
- Free Entry / Exit



Some Myths



- Monopoly / Dominance is always Bad
- Competition is a Side Show; A Panacea
- Competition is an End in Itself
- Everything Anti-Competitive is Illegal
- Competition is a *Per Se* Rule
- Competition is Automatic
- Competition is the responsibility of CCI Only
- Regulation is a Substitute for Competition



Perfect Competition 26-Jul-18



- Large Number of Players on both sides
- * All Price taker

- *Homogeneous
- *
- Easy entry and exit
- Symmetry of information with all



Salient Provisions



Objectives of Act

- ➤ To prevent practices having adverse effect on competition;
- ➤ To promote and sustain competition in markets;
- > To protect the interests of consumers; and
- To ensure freedom of trade

Motto: Fair Competition

For Greater Good

Salient Provisions

Prohibition of anti-competitive agreements (\$ 3)

- Prohibition of abuse of dominant position (\$ 4)
- Regulation of combinations among enterprises (S 5 & 6)
- Advocacy (S 49) and Advisory (S 21 & 21A)
- Videos on CCI website.



Enterprise



Section 2(h) defines 'Enterprise'.

Includes:

- > Person or Department of Government
- > Engaged in production, storage, supply, distribution, acquisition, or control of articles or goods or provision of services etc.

Excludes:

Sovereign Functions viz. atomic energy, currency, defence and space.

Enterprise

▶ Defined under Section 2(h) of the Act

Includes:

Person or Department of Government engaged in an economic activity

SC Judgement: Co-ordination Committee of Artists & Technicians of West Bengal Film and Television and ors.

- regardless of its form.
- An economic activity includes any activity, whether or not profit making, that involves economic trade.
- The Coordination Committee cannot be treated narrowly as Trade Unions, as is backing the cause of those which are 'enterprise'.

Excludes: Sovereign Functions of Government including Central Government department's activities dealing with atomic energy, currency, defence and space.

Enterprise- CONTD.

- Cases wherein COMPAT held that a department of government falls within the definition of the term 'enterprise' under sec 2(h) of the Act.
 - Wing Cdr. (Retd.) Dr. Biswanath Prasad Singh Vs. Director General of Health Services (DGHS)
 - □ Rajat Verma Vs. Haryana Public Works (B & R) Department and Ors (Appeal No. 45/2015)
 - Prem Prakash v. The Principal Secretary and Others

What is an Agreement

- Section 2(b) of the Competition Act, 2002 which includes any:
 - Arrangement
 - Understanding or
 - Action in concert
- Whether or not
 - In writing;
 - Intended to be legally enforceable



Anti-Competitive Agreements



Anti-Competitive Agreements - Classified mainly into two types:

- Horizontal Agreements, Section 3(3) cartel, bid-rigging etc.: between two or more enterprises operating at same level of business
- Vertical Agreements, Section 3(4) exclusive supply/distribution, tie-in arrangement, Resale price maintenance, refusal to deal etc.



Horizontal Agreements



- ➤ Directly or indirectly determining purchase or sale price.
- Limit or control production, supply, market, technical development, investment or provision of services.
- ➤ Shares the market by way of allocation of geographical area
- ➤ Bid rigging/collusive bidding
- > 'Shall presume' rule applies to Horizontal Agreements.
- > Burden of proof is on the person or enterprise;

Case Studies: Horizontal Agreement

- Case No 29/2010 (CCI Order Date 20th June, 2012 was remanded back to CCI on violation of principles of natural justice vide COMPAT order dtd 11.12.2015): Cement Manufacturer's Association (CMA) and 11 cement manufacturing companies were found to have entered into cartel, price fixing, limiting the production and supply of cement. Builder's association of India was the informant. CCI's orders of 20.06.2012 and 31.08.2016- imposed penalty above Rs. 6,714 crore.- pending in NCLAT.
- Case No 30/2011 (Order Date 9th December, 2013): All India Association of Chemists and Druggists (AIOCD) and its associated bodies entered into agreement and indulged in practices of obtaining NOC, refusal to launch product of manufacturers and importers for not getting Product Information Service (PIS) charges, fixing trade margins, boycotting pharmaceutical companies etc.- Cease and desist order by CCI. AIOCD issued circular to Members and State Associations: PIS charges not mandatory and NOC not required for appointment of stockist. No penalty was imposed as penalty of Rs.47.4 lakh was imposed on AIOCD in case no 20/2011 for same violation vide CCI order dtd 19.02.2013. COMPAT set aside CCI's order on 09.12.2016. Case now in Supreme Court.





- Insurance Co Ltd., New India Assurance Co Ltd, Oriental Insurance Co, Ltd., and United India Insurance Co. Ltd. formed cartel and quoted higher insurance premium bids in response to tender issued by Government of Kerala for its Rashtriya Swasthya Bima Yojana. They also forced the Government to issue fresh tender every year, despite the three years duration of tender. CCI ordered to cease and desist and imposed penalty @2% of total turnover (Rs. 162.8 cr, 251.07 cr, 100.56 cr, and 156.62 cr.) Upheld by COMPAT order dtd 9.12.16 but penalty reduced to 1% of relevant turnover totalling Rs. 2 cr. Case now in Supreme Court.
- Case No 2/2011 (order date 23rd April, 2012): In public procurement of Aluminium Phosphide Tablets (ALP) by FCI, three parties including Excel Crop Care Ltd. entered into collusive bidding from year 2002–2009– quoted identical rates, together boycotted tender in 2011. CCI imposed penalty of Rs.317.19 crore.– upheld by COMPAT on 29.10.13 with reduced penalty of Rs. 9.86 cr. Supreme Court ruled in CCI's favour in 2017.



Contd..



B. P. Khare, Principal Chief Engineer, South Eastern Railway vs. M/s Orissa Concrete and Allied Industries Ltd. And Ors.

- South Eastern Railway floated tenders for Anti-Theft Elastic Rail Clips Offers submitted by 29 firms, quoted rates in range of 66.49 to 66.51 and much less then 50% of total tender quantity. Bidders were located across the country.
- Factors such as bid documents containing same handwriting, common omissions and language mistakes, format of covering letter, tender fee payment, past conduct *etc*. indicated that firms entered into an agreements to influence the prices. Contravention of section 3(3)(d) read with section 3(1) of the Competition Act.
- CCI held that conduct of parties were amounting to bid rigging and intended to eliminate competition in tender and manipulate the process of bidding.



Indicators of Bid Rigging in Public Procurement



- Small number of companies
- Little or no entry
- Market conditions
- Industry associations
- Repetitive bidding
- Identical or simple products or services
- Few if any substitutes
- Little or no technological change

How to Identify warning signs for Bid Rigging

- > The same supplier is often the lowest bidder.
- There is a geographic allocation of winning tenders.
- Bids from different companies contain similar handwriting or typeface or use identical forms or stationery
- > Whether the bid is coming from same IP, in case of online bidding
- Certain companies always submit bids but never win.
- Sudden and identical increases in price or price ranges by bidders that cannot be explained by cost increases.
- > Two or more businesses submit a joint bid even though at least one of them could have bid on its own.

Lesser Penalty or Leniency Programme

Section 46: Power to impose lesser penalty & regulations

- The Commission may, if it is satisfied that <u>any producer</u>, <u>seller</u>, <u>distributor</u>, <u>trader or service provider included in any cartel</u> which is alleged to have violated <u>section 3</u>, has made a <u>full and true disclosure</u> in respect of the alleged violations and <u>such disclosure is vital</u> it may impose upon such producer, seller, distributor, trader or service provider a lesser penalty as it may deem fit, than leviable under this Act or the rules or the regulations
- lesser penalty shall not be imposed where the report of investigation u/s 26 has been received before making of such disclosure.

In re: Cartelization in tenders floated by Railways for Brushless DC Fans

- Case was taken up by the Commission suo moto based on the information received from CBI
- CBI, during an investigation had found an e-mail which suggested that three firms had cartelised in respect of the three tenders floated by the Indian Railways for the supply of Brushless DC fans
- O DG found three types of evidence (i) e-mail correspondence, (ii) call data records and (iii) statements of parties.
- Email with proposed rates exchanged amongst three bidding firms. Parties quoted identical/similar rates to those in the e-mail in two out of three tenders. Numerous calls exchanged amongst three firms, which began much before the first tender and continued during the period of the tenders. Lastly, one of firms admitted to being part of the cartel and brought out the purpose and modus operandi of the cartel which was corroborated by other evidence showing allocation of tenders and rotate the bids. arrangement to rig the bids and to share the market by mutual allocation of the tenders amongst themselves.



Vertical Restraints-Case Laws



- ▶ Shamsher Kataria vs. Honda Siel Cars and 13 Ors.(Case No.03/2011)
- In a first major Order passed under section 3(4) of the Competition Act,2002, CCI had imposed penalty of more than Rs.2500 Crores upon 14 major car manufacturers for violating the Act.
- It was held that all the major auto manufactures were not allowing its spare parts and diagnostic tools to be sold in the open car market and forcing the consumers to buy it from their authorized dealers.
- ▶ The CCI relied various judgments while passing the detailed order.
- Some of the Car Manufacturers have filed writ petitions in different High Courts to stop the proceedings before the Commission and DG but in vain.
- ▶ The Appellate Tribunal upheld the order passed by the CCI on merits. Now the matter is pending in Supreme Court.

Contravention through Vertical Agreement

- Hyundai Motor India was found to have been indulged in anticompetitive vertical agreement with its dealers;
 - Through an exclusive dealership arrangement HMI imposed a discount control mechanism amounting to Resale Price Maintenance (RPM)
 - Forced a tie-in arrangement for use of lubricant oil

Violation of Section 3(4)(e) and Section 3(4)(a) was established.

Fine of Rs. 87 crore imposed on HMI.; Penalty payment stayed by NCLAT.

Exceptions to Anti-Competitive Agreements For Greater Good

Horizontal and Vertical Agreements imposing <u>reasonable</u> <u>restrictions</u> for protecting rights conferred under following statutes:

- Copyright Act, 1957;
- > Patents Act, 1970;
- Trade and Merchandise Marks Act, 1958 or the Trade Marks Act, 1999;
- ➤ Geographical Indications of Goods (Registration and Protection) Act, 1999;
- Designs Act, 2000;
- Semi-conductor Integrated Circuits Layout-Design Act, 2000.



What is Dominance



Dominant Position (Explanation to Section 4)

Dominant position is position of strength, enjoyed by enterprise, which enables it to:

- ➤ Operate independently of competitive forces in market;
- ➤ Affect its competitors and/or consumers in its favour.

Dominance itself is not prohibited, its *abuse* is; and Dominant position is always defined with context to the *relevant market*.





RELEVANT MARKET:TWO COMPONENTS

Product



Geography







RELEVANT PRODUCT MARKET

Just because two products are used for similar purpose does not imply that they are in the same "relevant" market









Concept of Relevant Market



- **Relevant Market** [Section 2(r)] Comprises of either/or both relevant geographic market and relevant product market
- Relevant Geographic Market [Section 2(s)] Area in which conditions of competition for supply or demand of goods/services are homogenous and can be distinguished from other areas;
- Relevant Product Market [Section 2(t)] Market comprising all goods/services which are substitutable by reason of characteristics, usage and prices.

Exploitative Practices

- Imposing unfair or discriminatory condition in purchase or sale;
- Imposing unfair or discriminatory pricing (incl. predatory pricing);
- Limiting or restricting production
- Limiting or restricting technical or scientific development
- •making conclusion of contracts subject to acceptance of conditions having no connection with the subject of such contracts;

Exclusionary Practices

- denying market access in any manner;
- using its dominant position in one relevant market

to enter into, or protect, other relevant market

Cases on Abuse of Dominance

- Case Nos. 03, 11 & 59 of 2012 (a batch of informations filed by MAHAGENCO and Gujarat Electricty Corp.) (order date 9th December, 2013 and 24th March, 2017) CIL and its subsidiaries were found to have abused their dominant position in Fuel Supply Agreement (FSA) with Power Generation Companies in production and supply of noncoking coal. Terms and conditions of FSA arrived at unilaterally. Clauses in FSA relating to sampling and testing procedure, transportation charges, compensation for supply of stones unfavourable to buyers. CCI ordered Cease and Desist, modification to FSA and penalty of Rs. 591.00 crore in 2017 (earlier penalty was Rs.1773 cr; COMPAT in May 2016 ordered fresh investigation reasoning one who signs the order must hear the case) on CIL for contravention of the provisions of Section 4(2)(a)(i) of the Act- Penalty Payment stayed by NCLAT.
- Case no: 19/2010 (Order Date: 12th august, 2011) Rs. 630 crore penalty imposed on DLF for imposing unfair condition on buyers of high end residential property in Gurgaon.- Cease and desist order and order to modify unfair condition given. COMPAT upheld it vide order dtd 19.05.2014. Pending in Supreme Court.



Regulation of Combinations



- ▶ Section 5 & 6 deals with Regulation of Combinations.
- Merger review is necessary to prevent:
 - Enterprises from acquiring dominant position which can be abused
 - Concentration of market power that can reduce competition and diminish product quality and/or availability
- ▶ The major concerns are increase in prices of goods, innovation and the impact on consumer choice.
- All combinations meeting the threshold limits as prescribed, need pre approval of CCI.
- Any Person/ Enterprise, who/ which proposes to enter into a combination, shall give notice to the Commission within 30 days
- ▶ Act provides 210 days for the Commission to decide
- Deeming provision on expiry of the prescribed period if no order is passed, the combination is deemed to be approved



FEW LANDMARK CASES



Combinations

▶ Holcim – Lafarge

Merger approved subject to divesture of two cement plants, one in Jharkhand and other plant in Chhattisgarh

▶ Sun Pharma – Ranbaxy

Merger approved subject to divesture of products relating to seven relevant markets for formulations

PVR - DT Cinemas

- The Proposed combination comprised acquisitions of 39 screens of DT Cinema by PVR.
- The Commission delineated five relevant markets in which transaction was perceived to give rise to competition concern.
- The Commission approved the combination subject to certain divestures being made by the parties.



PRINCIPLES OF NATURAL JUSTICE



Section 36 of the Competition Act, 2002

In discharge of its functions, Commission guided by:

- Principles of Natural Justice
- Rules made by Central Government; and
- Its own procedure.

Principles of natural justice to ensure procedural fairness and fair decision:

- The Bias Rule
- ▶ The Hearing Rule:
- ▶ The Evidence Rule: Reasoned decision reached after taking into account all relevant facts and circumstances



POWERS OF COMPETITION COMMISSION



Commission entrusted with certain powers of Civil Court under Section 36(2), viz.

- Summoning & enforcing attendance and examination on oath;
- Discovery and production of documents
- Receiving Evidence on Affidavit
- Issuing Commission for examination of witnesses and documents
- ▶ Requisitioning of Public Records under Indian Evidence Act.



Investigation by Director General Groupertion

- > Role of the Director General To assist the Commission in investigating into any contravention of the provisions of the
- ▶ No power to investigate Suo-Moto unlike MRTP Commission
- ▶ Only after receiving directions under Section 26(1) and thereafter, if required
- ▶ Submit report to the Commission with findings on each and every issue raised in information as well as in section 26(1) direction.
- Powers of Civil Court

Act. (Section 16)

PENAL Provisions

- Section 26 (1)- orders detailed investigation if a *prima facie* case
- Section 26(2)- closes the cases after *prima facie* investigation
- Section 26 (6)- closes the case after detailed investigation
- Section 27
 - Cease and desist;
 - Penalty up to 10% of average relevant turnover for last three preceding financial years
 - In case of cartels, penalty up to 10% of turnover for each year of continuance of such agreement or three times of profit for each year of continuance of such agreement, whichever is higher
- Section 28: division of enterprise. may provide for :
 - an officer of a company who ceases to hold office as such in consequence of the division of an enterprise shall not be entitled to claim any compensation
- **Section 43:** Penalty For failure to comply with directions of CCI/DG
- Section 44 & 45: For making false statement or omission to furnish material information / for offences in relation to furnishing of information
- **Section 46:** Power to impose lesser penalty (Leniency provisions)

Section 48: Individuals in charge of, and responsible for the conduct of the business / company (director, manager, secretary or other officer), shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.

PENAL PROVISIONS - CONTD.

PENALTY UNDER CHAPTER VI

Section 42 Contravention of orders of Commission

42(2): Penalty for non-compliance with orders, directions passed by the Commission under sections 27, 28, 31, 32, 33, 42A and 43A of the Act: <u>Fine upto Rs. 1 lakh per day, subject</u> to a maximum of Rs. 10 crore.

42(3): If any person does not comply with the orders or directions issued, or fails to pay the fine imposed under subsection (2), he shall, without prejudice to any proceeding under section 39, be punishable with imprisonment for a term which may extend to three years, or with fine which may extend to rupees twenty-five crore, or with both, as the Chief Metropolitan Magistrate, Delhi may deem fit: Provided that the Chief Metropolitan Magistrate, Delhi shall not take cognizance of any offence under this section save on a complaint filed by the Commission or any of its officers authorized by it.



Other Important Provisions



- ➤ Duties of the Commission (Section 18) as reflected in the Preamble of the Act
- Reference by Statutory Authority (Section 21)
- Reference by Commission (Section 21A)
- Procedure for Inquiry (Section 26)
- Extra Territorial jurisdiction(Section 32)
- Interim Orders(Section 33)
- Appearance before the Commission (Section 35)
- ➤ Rectification of Orders (Section 38) No power to amend substantive part
- Leniency Provisions (Section 46)
- Competition Advocacy (Section 49)
- Confidentiality (Section 57)



National Companies Law Appellate & Tribunal(NCLAT)



- Headed by retired Supreme Court Judge and two **Members**
- Only those orders are appealable which are specifically provided under Section 53A(a) – CCI vs. SAIL (SC)
- ▶ Before NCLAT, CCI is necessary party in suo-moto cases and proper party in other cases
- Appeal to be filed within 60 days
- ▶ Further appeal in Supreme Court (Section 53T)
- Power to award compensation
- ▶ Power to punish for contempt (Section 53U) same power as High Courts.



Fair Competition

CCI and Judiciary

Competition Commission of India v. Steel Authority of India Ltd., (2010) 10 SCC 744; Supreme Court held:

- > Order of Competition Commission taking a *prima facie* view and issuing direction to Director General for investigation not appealable.
- No statutory duty on Competition Commission nor any party can claim right to notice and/or hearing at stage of formation of prima facie opinion under Section 26(1).
- > The power to issue interim orders has to be exercised by the Commission sparingly and under *compelling* and *exceptional circumstances*.
- The Commission is expected to record at least some reason(s) even while forming a *prima facie* view.
- Commission to pass speaking orders while passing directions and orders dealing with the rights of the parties in its adjudicatory and determinative capacity.



ISSUES DECIDED BY SUPREME COURT contd.



CCI v. STEEL AUTHORITY OF INDIA (2010) contd.

- □ Closure of the case causes determination of rights and affects the informant; resultantly, the said party has a right to appeal against closure of case under Section 26(2) of the Act.
- No appeal will lie from any decision, order or direction of the Commission which is not made specifically appealable under Section 53A(1)(a) of the Act.
- □ SC issued directions to ensure proper compliance in regard to procedural requirements to ensure that the procedural intricacies do not hamper in achieving the object of the Act.



ISSUES DECIDED BY SUPREME COURT contd.



Co-ordination Committee of Artists & Technicians of West Bengal Film and Television and ors. (2017)

SUPREME COURT DECISION:

- Enterprise: Any entity, regardless of its form, constitutes an 'enterprise' within the meaning of S.3 of the Act, when it engages in economic activity. An economic activity includes any activity, whether or not profit making, that involves economic trade.
- Association Of Enterprises: The Coordination Committee is an association of enterprises as its constituent members are engaged in production, distribution and exhibition of films. The Coordination Committee cannot be treated narrowly as Trade Unions, as is backing the cause of those which are 'enterprise'.
- <u>Agreement:</u> The activities of the Coordination Committee (Association of enterprises), can be treated as an 'agreement' for the purpose of Section 3 of the Act.



ISSUES DECIDED BY SUPREME COURT contd.



CCI vs. Excel Crop Care Ltd (2017)

TOTAL TURNOVER V. RELEVANT TURNOVER

- ☐ The criteria of 'relevant turnover' is to be adopted for the purpose of imposition of penalty under S. 27(b) of the Act.
- Definition of the term "relevant turnover" is entity's turnover pertaining to products and services that have been affected by such conduct.

JURISDICTION OF DG/ CCI WHILE INVESTIGATING AND ENQUIRING THE MATTERS:

■ The SC held that the while carrying out DG investigation, if other facts reveals that even other parties have entered into an agreement that is prohibited by S. 3, the DG would be well within his powers to include those as well in his report.



Stakeholders & Outreach



- Government Departments
- o Industries and associations viz. FICCI, CII, PHD etc
- o Premier educational institutions viz., NLUs, ISEC etc
- o Training academies viz. LBSNAA, NADT, NACIN and others
- High Court and Judicial academies
- Consumer organizations
- Others viz. World Bank, NGOs etc



Opportunities & Material



- ▶ Ph.D. Internship of six months for scholars working in competition areas
- ▶ Papers in National Conference on Economics of Comp. Law
- Vacancies of Research Associates and officers
- Collaboration regarding Advocacy programmes including moots
- Competition Assessment of legislations and policies

Materials/Resources:

- Advocacy Booklets, Leaflet, Videos, Speeches etc.
- Competition Assessment Guidelines & Toolkit
- Fair Play (Quarterly Newsletter), Annual Reports etc.
- Competition Compliance Manual; Diagnostic Tool for Procurement





Questions, Comments & Suggestions, please.

THANK YOU

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